

JOINT STOCK COMPANY
HANSAMATRIX
UNIFIED REGISTRATION NUMBER 40003454390

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Prepared in accordance with the requirements of International Financial Reporting Standards as
adopted by the European Union
Together with independent auditors' report

Riga, 2016



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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS HansaMatrix

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS HansaMatrix and its subsidiaries (the "Group"), set out on pages 9 through 47 of the accompanying 2015 Consolidated Annual Report, which comprise the Group statement of comprehensive income, statement of financial position as at 31 December 2015, statement of changes in equity, statement of 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 International Financial Reporting Standards as adopted by the European Union 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 19 financial investment in Hanza Holding AB as of 31 December 2013 was 5,065 thousand EUR. In the year 2014 impairment of investment of 1,216 thousand EUR was recognized. Consequently net book value of assets held for sale consisting of financial investment in Hanza Holding AB as of 31 December 2014 was 1,950 thousand EUR. We were unable to determine to what period impairment recognized in 2014 relates and whether adjustments might have been necessary in respect of the investment in Hanza Holding AB balance as of 31 December 2013, retained earnings as of 31 December 2014 and profit for the year 2014 reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flow. Auditors' report issued on 25 April 2014 on the consolidated financial statements by predecessor auditor for the year ended 31 December 2013 and our auditors' report for the year ended 31 December 2014 issued on 29 May 2015 were qualified in respect of this matter. Our opinion on the current period's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in paragraph of the Basis for Qualified Opinion, the consolidated financial statements give a true and fair view of the consolidated statement of financial position of AS HansaMatrix and its subsidiaries as at 31 December 2015 and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other matter paragraph

The current consolidated financial statements replace the previously issued consolidated financial statements dated April 12, 2016. As discussed in Note 49 the previous financial statements have been replaced because of misstatement identified and corrected. This audit report replaces the audit report issued on April 12, 2016.



Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2015 (set out on pages 6 through 8 of the accompanying 2015 Consolidated 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 2015.

SIA Ernst & Young Baltic
Licence No. 17

A handwritten signature in blue ink, which appears to read 'Diāna Krišjāne', is written over a horizontal line.

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

Riga, 6 May 2016

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General information

Name of the Parent Company, until 30 December 2015	Hanzas Elektronika
Name of the Parent Company, from 30 December 2015	HansaMatrix
Legal status of the Parent Company, until 30 December 2015	Limited liability company
Legal status of the Parent Company, from 30 December 2015	Joint stock 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 7 October 2015	SIA Macro Rīga (100%) Reg. No 40003362005 Akmeņu iela 72, Ogre, Latvia, LV-5001
Shareholders, from 7 October 2015	SIA Macro Rīga (82.8%) Reg. No 40003362005 Akmeņu iela 72, Ogre, Latvia, LV-5001 Limited partnership FlyCap Investment F und I AIF (17.2%) Reg. No 40103697951 Matrožu iela 15A, Riga, LV-1048
Board Members, until 28 December 2015	Ilmārs Osmanis (Chairman of the Board) Alvis Vagulis (Board Member) Vineta Grecka (Board Member)
Board Members, from 28 December 2015	Ilmārs Osmanis (Chairman of the Board) Alvis Vagulis (Board Member) Aldis Cimoška (Board Member)
Council Members, until 7 October 2015	Rūdolfs Osmanis (Council Member)
Council Members, from 7 October 2015	Jānis Skutelis (Chairman of the Council) Krišs Osmanis (Deputy Chairman of the Council) Andris Bērziņš (Council Member)
Subsidiaries	SIA Ventspils Elektronikas Fabrika (equity interest: 100%) Reg. No 40003779058 Ventspils Augsto tehnoloģiju parks 1, Ventspils, Latvia, LV-3602 SIA Mārupes Elektronikas Tehnoloģijas (equity interest: 100%) Reg. No 40103814400 Akmeņu iela 72, Ogre, Latvia, LV-5001 SIA Campus Pārogre (equity interest: 100%) Reg. No 40103775264 Akmeņu iela 72, Ogre, Latvia, LV-5001
Subsidiaries, until 12 May 2015	SIA HM Holding (equity interest: 100%) Reg. No 40103775264 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

Group's management report

12 April 2016

The joint stock company HansaMatrix (hereinafter – “HansaMatrix” or “the Company”) is a leading Baltic electronic system product developer and manufacturer. The Company is actively operating in industrial systems, data network infrastructure, Internet of Things, medical and several other B2B (business-to-business) market segments. Building on its 16-year experience and its business mission, which is to develop global technology products, the Company makes itself a valuable asset assisting customers in the achievement of success on global markets.

Name change and registration as a joint stock company

Seeking to ensure further business development of HansaMatrix, on 30 December 2015 the following changes were made:

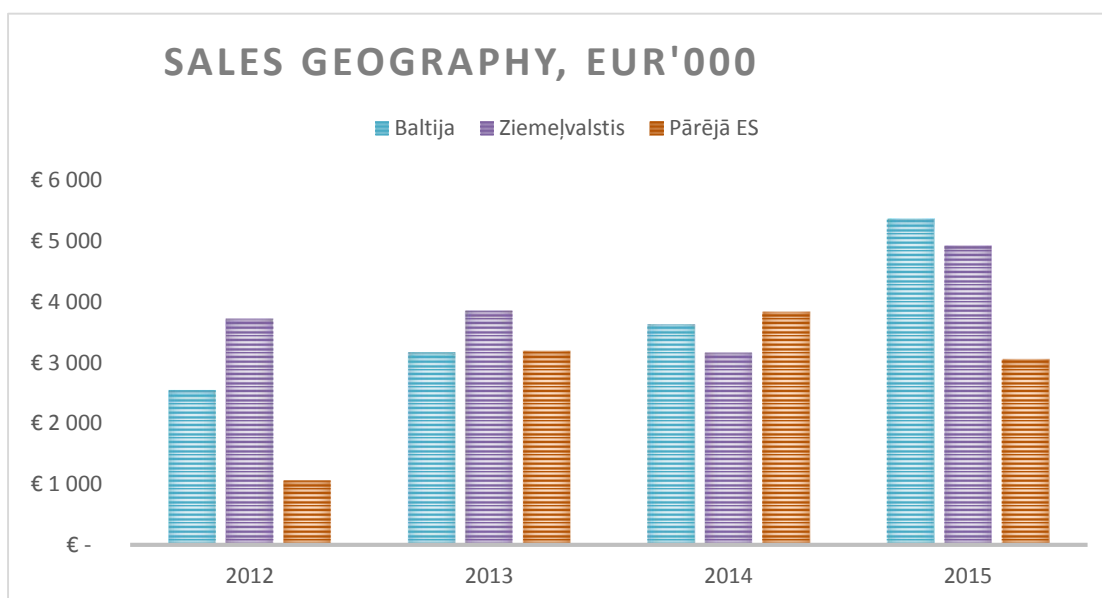
- (1) The name of the Company was changed from Hanzas Elektronika to HansaMatrix;
- (2) The status of the Company was changed from “limited liability company” to “joint stock company”.

Performance for the reporting period and sales development

Net turnover of HansaMatrix for the year 2015 was EUR 13.35 million, which exceeds the prior-year result by 25%. The Company reported the following results for the reporting period: EBITDA of EUR 2.52 million vs EUR 1.79 million in 2014 and net profit of EUR 1.08 million vs net loss of EUR 2.05 million in 2014.



Sales, EUR'000		2012		2013		2014		2015
Baltic states	€	2 549	€	3 169	€	3 633	€	5 359
Nordic countries	€	3 720	€	3 854	€	3 164	€	4 920
Other EU Member States	€	1 062	€	3 189	€	3 830	€	3 054



Business customers of HansaMatrix are chiefly concentrated in the Baltic and Nordic countries, which therefore reported the largest growth of sales.

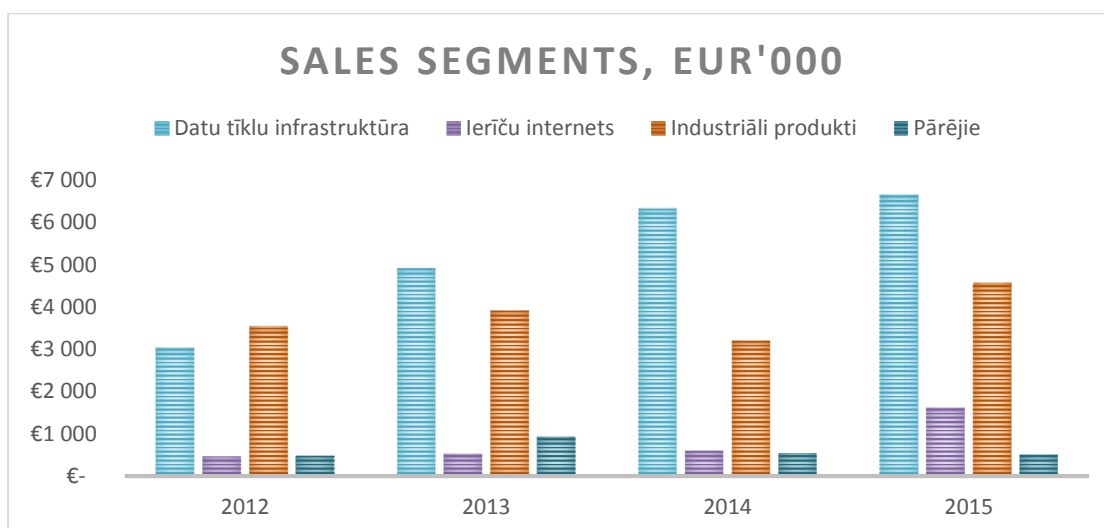
In 2015, Baltic sales were up by 47% year-on-year, which is mainly owing to an increased demand for products in the data network infrastructure and other market segments in the Baltic region. Nordic countries demonstrated similar business development, and their 56% rise is associated with the growth of the Internet of things and industrial products. Other EU Member States reported a 20% drop due to a lower demand for data network infrastructure and industrial products.

Sales efforts of HansaMatrix are focused in the following three main market segments: data network infrastructure, Internet of Things, industrial products, etc.

In 2015, **data network infrastructure** was the largest market, which accounted for 50% of sales, with a 5% growth year-on-year. **Industrial products** represented the second largest segment, forming 34% of sales, with a substantially larger growth of 43% from the prior year. **Internet of Things**, which is third in terms of volume, accounting for 12% of sales, reached the highest growth of 167% against the prior year. Other market segments formed 4% of sales, which fell by 6% from the previous year, thereby evidencing the Company's focus on the three main market segments.



Sales, EUR'000		2012		2013		2014		2015
Data network infrastructure	€	3 046	€	4 914	€	6 329	€	6 651
Internet of Things	€	465	€	533	€	603	€	1 608
Industrial products	€	3 534	€	3 908	€	3 193	€	4 562
Other	€	482	€	919	€	566	€	532



Investments

In order to carve the Company's core assets out of historic investments, in April 2015 HansaMatrix sold its 100% equity interest in the subsidiary HM Holding, SIA to the sole shareholder Macro Rīga, SIA for EUR 2.50 million.

In the reporting period, HansaMatrix made new investments of EUR 512 thousand in the following companies: Campus Pārogre, SIA; EUROLCDs, SIA; Zinātnes Parks, SIA.

In the reporting period, the Company brought in a new investor FlyCap, which made an additional investment of EUR 600 thousand in the Company. HansaMatrix set up a new facility for the small series production of metal parts in Mārupe, Zemzaru iela 3, for which purpose a premises lease agreement was signed for a period of three years. In addition, the Ventspils plant was expanded, for which purpose the group company SIA Ventspils Elektronikas Fabrika signed an agreement with the Freeport of Ventspils Authority on the lease of additional production premises of 3 545 sq. m in the newly constructed building of the Electronics Centre. In the reporting period, investments totalling EUR 3.14 million were made in production and research assets, testing system and new product development.

The HansaMatrix Group implemented three investment projects co-financed by the ERDF. Grants received from the ERDF amounted to EUR 808.6 thousand.

Research and development

In 2015, HansaMatrix set up and introduced a new ODM (original design manufacturing) business model. Under this model, the Company is investing resources in the development of new products and licensing the resulting newly created intellectual property for its customers.

The HansaMatrix Group implemented two research projects of the LEO competence centre co-financed by the ERDF, for which a research grant of EUR 278.3 thousand was obtained from the ERDF.

Significant events after balance sheet date

On 14 January 2016, an agreement was signed on the purchase of a land plot of 1.535 ha, which is adjacent to the existing land plot, at Akmeņu iela 74, Ogre, for the purposes of the further expansion of the Ogre plant.



Ilmārs Osmanis
Chairman of the Board

Consolidated financial statements

Consolidated statement of comprehensive income

	Notes	2015 EUR	2014 Restated EUR
Net turnover	3	13 352 837	10 691 515
Cost of sales	4	(10 690 179)	(8 600 102)
Gross profit		2 662 658	2 091 413
Distribution expense	5	(590 550)	(506 965)
Administrative expense	6	(976 864)	(822 276)
Other operating income	7	444 081	210 907
Other operating expense	8	(53 797)	(34 268)
Operating profit		1 485 528	938 811
Loss on sales of investments	9	-	(1 348 954)
Impairment of investments	10	-	(1 215 758)
Financial income	11	54 138	-
Financial expense	12	(293 984)	(247 703)
Profit/ (loss) before tax		1 245 682	(1 873 604)
Corporate income tax	13	(115 399)	(102 438)
Deferred corporate income tax	13	(47 886)	(69 442)
Net profit/ (loss) for the year		1 082 397	(2 045 484)
Other comprehensive income for the year, after tax		-	-
Total comprehensive income for the year, after tax		1 082 397	(2 045 484)

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

Ilmārs Osmanis
Chairman of the Board

Consolidated statement of financial position

ASSETS	Notes	31.12.2015	31.12.2014 restated	01.01.2014
		EUR	EUR	EUR
NON-CURRENT ASSETS				
Intangible assets				
ODM and other intangible assets		485 154	172 660	144 986
Intangible assets construction in progress		-	-	-
Total intangible assets	16	485 154	172 660	144 986
Property, plant and equipment				
Land and buildings		2 972 431	3 119 315	3 268 257
Equipment and machinery		4 137 533	2 521 943	2 880 665
Other fixtures and fittings, tools and equipment		527 040	257 701	224 952
Construction in progress		7 543	24 758	13 630
Leasehold improvements		48 275	4 025	5 891
Total property, plant and equipment	17	7 692 822	5 927 742	6 393 395
Non-current financial assets				
Investments in associates	18	960	-	-
Other financial assets	19	524 279	15 925	5 080 637
Other loans and receivables	20	-	1 992	1 992
Total non-current financial assets		525 239	17 917	5 082 629
Prepaid expense	21	-	632	1 594
TOTAL NON-CURRENT ASSETS		8 703 215	6 118 951	11 622 604
CURRENT ASSETS				
Inventories				
Raw materials	22	1 292 462	1 023 775	939 293
Work in progress	23	836 905	144 437	287 871
Total inventories		2 129 367	1 168 212	1 227 164
Receivables				
Trade receivables	24	719 685	284 230	459 361
Loans to shareholders	25	2 375 744	-	-
Receivables from related companies	26	-	550 086	-
Other receivables	27	285 209	797 920	33 059
Total receivables		3 380 638	1 632 236	492 420
Prepaid expense	21	26 341	15 302	18 813
Asset held for sale	28	-	1950 000	-
Cash and cash equivalents	29	255 402	93 526	30 334
TOTAL CURRENT ASSETS		5 791 748	2 909 276	1 768 731
TOTAL ASSETS		14 494 963	10 978 227	13 391 335

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



Ilmārs Osmanis
Chairman of the Board

Consolidated statement of financial position

EQUITY AND LIABILITIES

	Notes	31.12.2015	31.12.2014 restated	01.01.2014
		EUR	EUR	EUR
EQUITY				
Share capital	30	1 546 380	1 280 272	1 280 585
Share premium	31	1 094 987	761 415	761 415
Other reserves	32	313	313	-
Non-current asset revaluation reserve	30	1 401 665	1 468 231	1 534 800
Retained earnings/ (accumulated deficit):				
a) brought forward		(1 789 356)	178 657	979 892
b) for the period		1 082 397	(2 045 484)	779 196
TOTAL EQUITY		3 336 386	1 643 404	5 335 888
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	33	4 727 849	4 958 451	2 543 681
Finance lease liabilities	34	47 723	-	-
Deferred income	36	911 861	325 377	429 450
Deferred income tax liability	13	665 405	617 519	548 077
Total non-current liabilities		6 352 838	5 901 347	3 521 208
Current liabilities				
Issued debt securities	35	-	-	1 935 409
Loans from credit institutions	33	1 177 130	1 123 117	856 339
Finance lease liabilities	34	18 100	-	-
Prepayments received from customers	37	817 775	23 675	32 931
Trade payables	38	1 797 062	977 185	971 574
Taxes payable	39	217 305	182 186	197 779
Other liabilities	40	431 202	876 370	142 925
Accrued liabilities	41	177 588	146 870	168 708
Deferred income	36	169 577	104 073	175 216
Undrawn dividends		-	-	53 358
Total current liabilities		4 805 739	3 433 476	4 534 239
TOTAL LIABILITIES		11 158 577	9 334 823	8 055 447
TOTAL EQUITY AND LIABILITIES		14 494 963	10 978 227	13 391 335

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



Ilmārs Osmanijs
Chairman of the Board

Consolidated statement of cash flows

	Notes	2015	2014
		EUR	restated EUR
CASH FLOWS TO/ FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		1 245 682	(1 873 604)
Adjustments for:			
Amortisation and depreciation	16,17	1 064 691	860 280
Interest expense	12	276 445	234 290
Interest income	11	(54 138)	-
Increase in allowances for slow-moving items and receivables	22	155 521	4 326
Loss/ (income) from grant recognition	7	(156 624)	(175 216)
(Gain)/ loss on disposal of property, plant and equipment	7	(83)	1 059
Adjustment of the investment value		-	3 114 712
Adjustments for:			
(Increase)/ decrease in inventories		(1 116 676)	54 626
(Increase) in trade receivables		(267 671)	(1 135 343)
Increase in trade payables		1 314 809	677 649
Cash generated from operations, gross		2 461 956	1 762 779
Interest paid		(222 307)	(234 290)
Corporate income tax paid	39	(106 601)	(126 334)
Net cash flows to/ from operating activities		2 133 048	1 402 155
CASH FLOWS TO/ FROM INVESTING ACTIVITIES			
Purchase of intangible assets and property, plant and equipment	16,17	(3 320 240)	(471 361)
Proceeds from sale of property, plant and equipment		178 058	48 001
Acquisition of shares	18,19	(48 460)	-
Net cash flows to/ from investing activities		(3 190 642)	(423 360)
CASH FLOWS TO/ FROM FINANCING ACTIVITIES			
Dividends paid		-	(1 647 000)
Increase in share capital		599 680	-
Grants received from the Investment and Development Agency of Latvia		808 612	-
Loans received from credit institutions		980 000	1 046 327
Loans repaid to credit institutions		(1 156 589)	(314 930)
Loans repaid to lease companies		(12 233)	-
Net cash flows to/ from financing activities		1 219 470	(915 603)
Change in cash and cash equivalents for the year		161 876	63 192
Cash and cash equivalents at the beginning of the year	29	93 526	30 334
Cash and cash equivalents at the end of the year	29	255 402	93 526

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

Consolidated statement of changes in equity

	Share capital	Share premium	Other reserves	Non-current asset revaluation reserve	Retained earnings/ (accumulated deficit)	Profit/ (loss) for the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1 January 2014	1 280 585	761 415	-	1 534 800	979 892	779 196	5 335 888
Profit for the reporting year	-	-	-	-	-	(2 045 484)	(2 045 484)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(2 045 484)	(2 045 484)
Share capital denomination	(313)	-	313	-	-	-	-
Depreciation of revalued items of property, plant and equipment	-	-	-	(78 316)	78 316	-	-
Deferred corporate income tax related to revalued items of property, plant and equipment	-	-	-	11 747	(11 747)	-	-
Transfer of prior year result	-	-	-	-	779 196	(779 196)	-
Dividends paid	-	-	-	-	(1 647 000)	-	(1 647 000)
As at 31 December 2014	1 280 272	761 415	313	1 468 231	178 657	(2 045 484)	1 643 404
Profit for the reporting year	-	-	-	-	-	1 082 397	1 082 397
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	1 082 397	1 082 397
Share capital increase	266 108	333 572	-	-	-	-	599 680
Depreciation of revalued items of property, plant and equipment	-	-	-	(78 314)	78 314	-	-
Deferred corporate income tax related to revalued items of property, plant and equipment	-	-	-	11 748	(11 748)	-	-
Transfer of prior year result	-	-	-	-	(2 034 579)	2 045 484	10 905
As at 31 December 2015	1 546 380	1 094 987	313	1 401 665	(1 789 356)	1 082 397	3 336 386

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

Notes to the consolidated financial statements

1. Corporate information

AS HansaMatrix (hereinafter – the Parent 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 Parent Company is at Akmeņu iela 72, Ogre. The reorganisation of the Parent Company was completed on 30 December 2015; as a result, the Parent Company's name and status have been changed from the limited liability company Hanzas Elektronika to the joint stock company HansaMatrix.

On 25 August 2014, SIA Macro Rīga became the sole shareholder of the Parent Company owning 100% of its shares. As of 7 October 2015, the Parent Company has had two shareholders: SIA Macro Rīga, which owns 82.8% of the Parent Company's shares, and the limited partnership FlyCap Investment F und I AIF, which owns 17.2% of the Parent Company's shares.

As at 31 December 2015, the Parent Company had direct investments in the following companies incorporated in the Republic of Latvia: SIA Ventspils Elektronikas Fabrika, SIA Mārupes Elektronikas Tehnoloģijas, SIA Campus Pārogre.

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

The financial statements for the year ended 31 December 2015 were approved by a resolution of the Group Parent Company's Board on 12 April 2016.

The shareholders have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Consolidated financial statements are prepared using the historical cost basis, except when described otherwise in the accounting policies below. The financial statements of the Parent Company and its subsidiaries are prepared separately according to the relevant national legislation applicable in the reporting year.

The monetary unit used in the consolidated financial statements is the euro (EUR). The consolidated financial statements cover the period 1 January 2015 through 31 December 2015.

Amounts disclosed in the consolidated financial statements are based on the accounting records of the Group companies kept in accordance with IFRS as adopted by the EU.

First-time adoption of IFRS

These are the first financial statements of the Group prepared in accordance with IFRS. The financial statements for reporting periods until 31 December 2014 were prepared in accordance with the Law of the Republic of Latvia on Annual Reports because the adoption of IFRS was not mandatory.

The accounting policies adopted by the Group have been applied in preparing these consolidated financial statements for the year ended 31 December 2015 and comparative figures as at 31 December 2014 and the first IFRS statement of financial position as at 1 January 2014.

In preparing the first IFRS financial statements, the Group has made adjustments to the previous financial statements presented in accordance with the requirements of the Law of the Republic of Latvia on Annual Reports. The only significant adjustment refers to the presentation of the release of the non-current asset revaluation reserve. When preparing the financial statements according to the Law of the Republic of Latvia on Annual Reports, the Group reported the release of the non-current asset revaluation reserve in the statement of comprehensive income for the year. According to IFRS, the release of the non-current asset revaluation reserve must be taken directly to retained earnings.

The effect of the first-time adoption of IFRS on the assets and liabilities, income and expense and cash flows previously reported by the Group is as follows:

	Reported previously according to the Law of the Republic of Latvia on Annual Reports	Effect of the presentation of the revaluation reserve	According to IFRS
	EUR	EUR	EUR
Consolidated statement of financial position as at 31/12/2014			
Retained earnings/ (accumulated deficit) brought forward	112 088	66 569	178 657
Retained earnings/ (accumulated deficit) for the period	(2 037 133)	(66 569)	(2 103 702)

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

First-time adoption of IFRS (cont'd)

	Reported previously according to the Law of the Republic of Latvia on Annual Reports EUR	Effect of the presentation of the revaluation reserve EUR	According to IFRS EUR
Consolidated statement of comprehensive income for 2014			
Cost of sales	8 380 826	78 315	8 459 141
Deferred corporate income tax	81 188	(11 746)	69 442
Net profit for the year	(2 037 133)	(66 569)	(2 103 702)
Consolidated statement of cash flows for 2014			
Profit before tax	(1 858 595)	(78 315)	(1 936 910)
Adjustments for: Amortisation and depreciation	781 965	78 315	860 280

Due to first time adoption to IFRS there are no effect on the total value of Equity and total asset amount. Other changes that have been made in the opening balances due to IFRS adoption and other corrections have been summarised in Note 44.

Basis of consolidation

The consolidated financial statements comprise the financial statements of AS HansaMatrix and all entities controlled by the Parent Company (its subsidiaries) as at 31 December 2015. The financial statements of the subsidiaries and the Parent Company are prepared for the same reporting period, using uniform accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements on a line-by-line basis by adding together like items of assets and liabilities, as well as income and expense. For the purposes of consolidation, all intragroup transactions, balances and unrealised gains and losses from intragroup transactions are eliminated in full.

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency translation

The functional and presentation currency of the Group 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 accounts of the statement of comprehensive income.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group 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.

Grants related to assets

Grants related to assets are presented as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

Interest

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

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

Revenue (cont'd)

Segments

Reportable segments are operating segments or their aggregation which meet certain criteria. Operating segments are units of the Group, on which separate financial information is available, which is regularly assessed for the purpose of making decisions about resource allocation and performance assessment. The Group has one business segment, which is manufacturing services.

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 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. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on 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.

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.

After initial recognition, development expenditure is recognised as intangible assets at cost less accumulated amortisation and any accumulated impairment losses. Assets are amortised over their expected useful lives. At each reporting date, it is analysed whether there is any indication that the asset may be impaired.

When computer software is an integral element of hardware that cannot operate without that specific software, computer software is treated as property, plant and equipment.

Intangible assets comprise intellectual property arising from research and development in the form of ODM (Original Design Manufacturing) assets. The Group recognises as ODM assets and, according to IAS 38, capitalises the results of development of products, materials, devices, processes and systems derived as a result of targeted development projects. ODM assets may incorporate tangible elements, such as prototypes of materials or products, samples, devices, systems, and intangible elements, such as project or production documents, documented processes, inventions or innovations which are or are not protected by patents.

The creation of ODM assets is initiated only for a specific identified customer or such several customers, after the expected economic result has been evaluated. This process is accurately managed, accounting for all costs, both costs of direct materials used in project development and the full cost of engineering hours spent, including salaries of engineers plus costs incurred to ensure their work, but excluding administrative expense.

The use of ODM assets brings material benefits to the Group through their direct sale, with the related amortisation charge and expected profits included in the selling price or licence fee of the product, or their use, thereby deriving indirect benefits, reduced production costs, etc.

When recognising an ODM asset, the Group determines the amortisation charge of each ODM asset per one unit of a product associated with the use of the ODM asset and the total number of units of the product by which the accrued value will be fully amortised. The expected amortisation period is 3 years. The selling price per unit of the ODM asset included in the price of delivery of the product may be higher as amortisation expense, and it may be applied to a larger quantity of units, as may be necessary for amortisation purposes, when generating gross profit.

Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

Development expenditure incurred on an individual project is capitalised if an entity can demonstrate that there is the technical feasibility of completing the intangible asset arising from development so that it will be available for use or sale, there is the intention to complete the intangible asset and the ability to use or sell it, that the intangible asset will generate future economic benefits, adequate resources are available to complete the intangible asset and expenditure may be measured reliably during the development of the asset. Other development expenditure is written off.

After initial recognition, development expenditure is recognised as intangible assets at cost less accumulated amortisation and any accumulated impairment losses. Assets are amortised over their expected useful lives. At each reporting date, it is analysed whether there is any indication that the asset may be impaired.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, except for buildings which are stated at fair 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 Group 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 cost of sales caption.

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 statement of comprehensive income in the year the item is derecognised.

The Group revalues its real estate, i.e., the building and land. Revaluation is performed by certified appraisers once every five years. Any increase in the value as a result of the revaluation of assets is taken to the revaluation reserve under equity. If a revalued asset is derecognised, the revaluation reserve attributable to the particular asset is taken to the retained earnings. 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 ready for intended use.

Investments in associate and financial investments

Investments in associates

The Group's investments in its associates are accounted for using equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate. The Group's share of the results of operations of associate is reflected in the statement of comprehensive income.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the statement of comprehensive income.

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

Investments in associate and financial investments (cont'd)

Financial investments

Financial assets within the scope of IAS 39 are recognised based on IAS 39.

Investments in Companies below 20% is financial investments. If there is no active market for the financial investments then after the initial recognition the financial investments are recognised at cost less impairment.

Financial assets are classified as financial assets at fair value through comprehensive income statement, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through comprehensive income statement, directly attributable transaction costs.

The Group and the Parent company determine the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date when the Group and the Parent company commit to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. At the end of the each year Group is testing the investment for impairment. Impairment is calculated as difference between investment recoverable amount and this investment balance sheet value. Impairment loss is recognised in the statement of comprehensive income.

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.

Asset held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and if it meets both of the following classification criteria:

- the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- its sale must be highly probable (the sale has been initiated based on the management's resolution to sell the asset, and there is evidence that the sale will be completed within one year from the date that the process is initiated).

Non-current assets held for sale are carried in a separate balance sheet caption under current assets and are not amortised.

Non-current assets held for sale may be measured at the lower of carrying amount and fair value less costs to sell as long as they meet the classification criteria. When any events or circumstances indicate that non-current assets held for sale may be impaired, the assets are tested for impairment and an impairment loss is defined.

Any changes in the value of assets resulting from their measurement at fair value or fair value less costs to sell, or impairment testing, are taken to the income statement.

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.

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

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of directly attributable transaction 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.

Provisions

Provisions are recognised when the Group 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 Group 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.

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 Group 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 Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Factoring

Proceeds received in accordance with factoring agreements are recognised as prepayments from customers when the Company remains exposed to the credit risk associated with the respective debtor. When the credit risk remains with the contracting party, the proceeds are directly netted against respective debtor balance.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received from the government and international organisations for the purchase, development or construction of long-term assets are initially recognised as deferred income and taken to the income statement on a systematic basis over the useful life of the relevant long-term assets.

Other government grants are recognised as income on a systematic basis over the period when the Company expenses the costs that the grants compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognised as income of the period in which it becomes receivable.

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

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalisation of development costs, useful lives of property, plant and equipment, allowances for doubtful receivables and obsolete inventories, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed at each reporting date and changed, if necessary, to reflect the Group's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

Carrying amounts of property, plant and equipment

The Group's management reviews the carrying amounts of property, plant and equipment and assesses whether any indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned disposal or sale of the assets. Taking into consideration the Company's planned level of activities and the estimated market value of the assets, the Company's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as at 31 December 2015.

Recoverability of deferred tax asset

The Group assesses the extent of taxable profits during the period of utilisation of tax losses. At each reporting date, the Company's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilisation of tax losses future taxable profits will be available against which unused tax losses can be utilised.

Net realisable value of inventories

The Group's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories, an allowance is recorded. The Company's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as at 31 December 2015.

Allowance for doubtful and bad trade receivables

The Group's management evaluates the carrying amounts of receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the receivables and considers that it is not necessary to make an additional significant allowance as at 31 December 2015.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the reporting 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.

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

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. There is no effect on Groups consolidated financial statements of the implementation of this standard.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

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

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The Group is not an investment entity and has no impact of the implementation of this standard.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (endorsement deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of this standard will not have any impact on the Group.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair Value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

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

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

3. Net turnover

Business customers of AS HansaMatrix are chiefly concentrated in the Baltic and Nordic countries. Net turnover by geographical area is as follows:

	2015 EUR	2014 EUR
Baltic states	5 359 001	3 633 496
Nordic countries	4 920 213	3 164 065
Other EU Member States	3 073 623	3 893 954
TOTAL:	13 352 837	10 691 515

Sales efforts of AS HansaMatrix are focused in the following three main product types: data network infrastructure, Internet of Things, industrial products, etc. Net turnover by product types is as follows:

	2015 EUR	2014 EUR
Data network infrastructure	6 651 274	6 329 441
Internet of Things	1 608 394	603 099
Industrial products	4 561 569	3 193 043
Other	531 600	565 932
TOTAL:	13 352 837	10 691 515

4. Cost of sales

	2015 EUR	2014 EUR
Costs of raw materials	5 891 674	4 982 897
Employee benefits expenses	2 114 626	2 052 978
Depreciation (see Note 16, 17)	830 362	676 067
Costs related to the production process	591 160	44 326
Production facilities, land lease and utilities	561 585	442 237
Research costs	222 683	135 775
<i>including employee benefits expenses</i>	171 777	92 757
<i>including amortisation and depreciation (see Note 16, 17)</i>	8 181	21 844
Allowances for slow-moving items (see Note 22)	186 171	29 199
Transport and customs expense	104 645	141 325
Lease of equipment	67 322	23 371
Low-value items	63 005	42 448
Repair and maintenance expense	48 201	22 096
Real estate tax	5 576	5 186
Other production costs	3 169	2 197
KOPĀ:	10 690 179	8 600 102

5. Distribution expense

	2015 EUR	2014 EUR
Employee benefits expense	521 926	446 333
Marketing expense	23 252	15 267
Business trips	19 799	16 017
Transport expense	19 349	23 979
Communications expense	6 224	5 369
TOTAL:	590 550	506 965

6. Administrative expense

	2015	2014
	EUR	EUR
Employee benefits expense	456 096	403 000
Amortisation and depreciation (see Note 16, 17)	204 673	175 122
Bank charges	56 146	43 847
Transport expense	51 291	45 198
Professional fees*	50 414	39 051
Office expense	25 234	19 804
Insurance	21 002	9 847
Non-operating expense	16 016	16 409
Staff recruitment and training	14 217	14 429
IT expense	10 424	7 064
Communications expense	8 399	7 864
Representation expense	6 766	4 276
Business trips	5 459	5 935
Other administrative expense	50 727	30 430
TOTAL:	976 864	822 276

* The total fee paid to the firm of certified auditors SIA Ernst & Young Baltic for the annual audit/ review amounts to EUR 16 937.

7. Other operating income

	2015	2014
	EUR	EUR
Income from research grant recognition	278 332	-
Income from EU grant recognition (accrued)*	156 624	175 216
Income from EU grant recognition (one-off)**	8 986	35 414
Gain on disposal of property, plant and equipment, net	83	-
Other income	56	277
TOTAL:	444 081	210 907

* Accrued income from EU grant recognition represents financing received for the acquisition of property, plant and equipment, which is taken to income over the useful life of the relevant asset.

** One-off income from EU grant recognition represents financing received for the implementation of specific projects during the reporting period.

8. Other operating expense

	2015	2014
	EUR	EUR
Currency exchange loss, net	21 581	21 705
Penalties paid	19 246	11 505
Extra loss on disposal of property, plant and equipment	-	1 058
Donations	12 970	-
TOTAL:	53 797	34 268

9. Loss on disposal of investments

In 2014, the Group owned 11% shares of Hanza Holding AB where 37.5% of these shares were sold for EUR 550 000. Therefore in total there were sold 4.1% of Hanza Holding AB shares with the value of these shares of EUR 1 898 954. Please also see Note 19.

	2015 EUR	2014 EUR
Sale of the shares in Hanza Holding AB	-	550 000
Value of the sold shares	-	(1 898 954)
Loss on disposal of investments	-	(1 348 954)

10. Impairment of investments

On 23 November 2007, the Parent 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. On 26 October 2010, the Parent Company agreed with Hanza AB on the share swap, thereby acquiring 53 192 shares (11%) in Hanza Holding AB (Hanza Interessenter AB until 14 January 2011), which was the parent of Hanza AB. In 2013, the Group tested its investment in Hanza Holding AB for impairment. The value of the shares in Hanza Holding AB was defined according to the market approach (guideline public company method).

As a result of the reorganisation, on 1 April 2014 the Parent Company established its subsidiary SIA HM Holding (100% equity interest). The shares in Hanza AB were transferred to SIA HM Holding.

In 2014, 37.5% of Groups owned shares in Hanza Holding AB were sold where in total 4.1% of Hanza Holding AB shares were sold. Please see Note 9.

In April 2015, an agreement was signed on the sale of SIA HM Holding for EUR 2 500 000, of which the amount of EUR 1 950 000 referred to the shares in Hanza Holding AB; as a result, this company was sold in 2015.

	2014 EUR
Acquisition value of the shares in Hanza Holding AB (11%)	5 064 712
Value of the sold shares in Hanza Holding AB (4.1% that is 37.5% of the Groups previously owned shares)	(1 898 954)
Value of the remaining shares in Hanza Holding AB (6.9% that is 62.5% of the Groups previously owned shares)	3 165 758
Value of the shares in Hanza Holding AB as a result of the sale of HM Holding	(1 950 000)
Impairment of the shares in Hanza Holding AB	1 215 758

11. Financial income

	2015 EUR	2014 EUR
Interest income	54 138	-
TOTAL:	54 138	-

12. Financial expense

	2015 EUR	2014 EUR
Interest expense	276 445	234 290
Directly attributable transaction costs	17 539	13 413
TOTAL:	293 984	247 703

13. Corporate income tax

	2015	2014 restated
	EUR	EUR
Current corporate income tax charge for the reporting year	115 399	102 438
Deferred corporate income tax due to changes in temporary differences	47 886	69 442
Total corporate income tax expense:	163 285	171 880

Current corporate income tax:

	2015	2014 restated
	EUR	EUR
Profit/ (loss) before tax	1 234 333	(1757 652)
Tax at the applicable tax rate of 15%	185 150	(263 651)
Tax adjustments for:		
Non-deductible amounts	6 136	4 478
Balance items revaluation	-	374 336
Prior-year asset revaluation	11 747	-
Depreciation	(106 902)	(16 492)
Provisions and allowances	30 165	3 767
Tax rebates	(10 897)	-
Current corporate income tax for the reporting year	115 399	102 438

Deferred corporate income tax:

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
Deferred corporate income tax liability, 15%			
Temporary differences in the carrying amounts of non-current assets for accounting and taxation purposes, 15%	746 167	639 230	559 257
Gross deferred tax liability	746 167	639 230	559 257
Deferred corporate income tax asset, 15%			
Temporary differences for allowances for slow-moving items, 15%	(67)	(55)	-
Vacation pay reserve	(14 237)	(14 496)	(11 179)
Tax loss carried forward	(66 457)	(7 159)	-
Gross deferred tax asset	(80 761)	(21 710)	(11 179)
Net deferred tax	665 406	617 520	548 078
Increase/ (decrease) in deferred corporate income tax	47 886	69 442	3 364

14. Employee benefits expenses and number of employees

	2015	2014
	EUR	EUR
Wages and salaries	2 622 847	2 404 160
Statutory social insurance contributions	602 727	551 758
Employee health insurance	37 638	38 092
Unemployment risk duty	1 065	1 058
Other employee benefits expenses	148	-
KOPĀ:	3 264 425	2 995 068

Including key management personnel compensation

	2015	2014
	EUR	EUR
Wages and salaries	74 698	83 242
Statutory social insurance contributions	10 467	13 362
Employee health insurance	168	167
Unemployment risk duty	5	4
TOTAL:	85 338	96 775

	2015	2014
	EUR	EUR
Wages and salaries	2 177	-
Statutory social insurance contributions	743	-
Unemployment risk duty	1	-
TOTAL:	2 921	-

In 2015 one Council Member received remuneration for his functions in the Council, while in 2014 the Council Members did not receive any such remuneration.

	2015	2014
Average number of employees during the reporting year	237	238

The total employee benefits expenses are included in the following captions of the statement of comprehensive income:

	2015	2014
	EUR	EUR
Cost of sales (see Note 4)	2 114 626	2 052 978
Cost of sales – research costs (see Note 4)	171 777	92 757
Distribution expense (see Note 5)	521 926	446 333
Administrative expense (see Note 6)	456 096	403 000
KOPĀ:	3 264 425	2 995 068

15. Earnings before interest, taxes, depreciation and amortisation

		2015	2014
		EUR	EUR
EBITDA	EUR	2 520 563	1 790 000
EBITDA	%	19	17

EBITDA - earnings before interest, taxes, depreciation and amortisation,

% - EBITDA / net turnover x 100

16. Intangible assets

	ODM assets EUR	Other intangible assets EUR	ODM and Other intangible assets TOTAL EUR	Intangible assets construction in progress EUR	Intangible assets TOTAL EUR
ACQUISITION VALUE					
As at 1 January 2014	-	401 107	401 107	-	401 107
Additions		1 643	1 643	100 724	102 367
Reclassification		100 724	100 724	(100 724)	-
As at 31 December 2014	-	503 474	503 474	-	503 474
Additions	161 935	140 702	302 637	111 020	413 657
Reclassification*	-	110 838	110 838	(111 020)	(182)
As at 31 December 2015	161 935	755 014	916 949	-	916 949
ACCUMULATED AMORTISATION					
As at 1 January 2014	-	256 121	256 121	-	256 121
Charge for the year		74 693	74 693		74 693
As at 31 December 2014	-	330 814	330 814	-	330 814
Charge for the year	3 348	97 643	100 991	-	100 991
Reclassification*		(10)	(10)	-	(10)
As at 31 December 2015	3 348	428 447	431 795	-	431 795
NET CARRYING AMOUNT					
As at 31 December 2014	-	172 660	172 660	-	172 660
As at 31 December 2015	158 587	326 567	485 154	-	485 154

* In 2015, software was reclassified and transferred from intangible assets to computers.

	Other intangible assets EUR	Other fixtures and fittings, tools and equipment EUR
As at 31 December 2014		
Cost	(182)	182
Accumulated depreciation	10	(10)
As at 31 December 2015	(172)	172

17. Property, plant and equipment

	Land and buildings EUR	Equipment and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Construction in progress EUR	Leasehold improvements EUR	Total EUR
ACQUISITION VALUE/ REVALUED AMOUNT						
As at 1						
January 2014	4 370 857	7 895 940	953 498	13 630	28 482	13 262 407
Additions	-	223 444	133 394	11 397	759	368 994
Disposals	-	(217 589)	(82 806)	-	-	(300 395)
Reclassification	-	-	269	(269)	-	-
As at 31						
December 2014	4 370 857	7 901 795	1 004 355	24 758	29 241	13 331 006
Additions	-	2 396 609	423 094	35 329	51 551	2 906 583
Disposals	-	(325 655)	(10 582)	-	-	(336 237)
Reclassification*	-	52 544	182	(52 544)	-	182
As at 31						
December 2015	4 370 857	10 025 293	1 417 049	7 543	80 792	15 901 534
ACCUMULATED DEPRECIATION						
As at 1						
January 2014	1 102 600	5 015 275	728 546	-	22 591	6 869 012
Charge	148 942	533 732	100 288	-	2 625	785 587
Disposals	-	(169 155)	(82 180)	-	-	(251 335)
As at 31						
December 2014	1 251 542	5 379 852	746 654	-	25 216	7 403 264
Charge	146 884	655 830	153 685	-	7 301	963 700
Disposals	-	(147 922)	(10 340)	-	-	(158 262)
Reclassification*	-	-	10	-	-	10
As at 31						
December 2015	1 398 426	5 887 760	890 009	-	32 517	8 208 712
NET CARRYING AMOUNT						
As at 31						
December 2014	3 119 315	2 521 943	257 701	24 758	4 025	5 927 742
As at 31						
December 2015	2 972 431	4 137 533	527 040	7 543	48 275	7 692 822

* In 2015, software was reclassified and transferred from intangible assets to computers (see also Note 16).

Cadastral value of the Group's real estate

	31/12/2015 EUR	31/12/2014 EUR
Buildings	313 734	313 734
Land	32 028	32 028
TOTAL:	345 762	345 762

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

Pledges and other restrictions on title

The Group 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 33).

The total amortisation and depreciation costs are included in the following captions of the statement of comprehensive income:

	2015	2014
	EUR	EUR
Cost of sales (see Note 4)	830 362	676 067
Costs of research and product development (see Note 4)	8 181	21 844
Administrative expense (see Note 6)	204 673	175 122
SUBTOTAL:	1 043 216	873 033
Depreciation included in the cost of work in progress	21 475	(12 753)
TOTAL:	1 064 691	860 280

18. Investments in associates

Company	Equity interest, %	31/12/2015	31/12/2014	01/01/2014
		EUR	EUR	EUR
<i>Associates</i>				
SIA Zinātnes parks	24	960	-	-
TOTAL:		525 239	1 965 925	5 080 637

SIA Zinātnes parks (registration No 10103901040) is a company established on 21 May 2015 by 4 shareholders. AS HansaMatrix owns 24 (twenty-four) out of 100 (one hundred) shares in this company. The year 2015 was the first year of the company's operations. Based on unaudited data, the company had loss of EUR 12 for the reporting year.

19. Other financial assets

Company	Equity interest, %	31/12/2015	31/12/2014	01/01/2014
		EUR	EUR	EUR
<i>Financial assets</i>				
SIA EUROLCDs	14	508 354	-	-
SIA LEO PĒTĪJUMU CENTRS (Latvia)	14	996	996	996
Shares in Hanza Holding AB (Sweden)	11	-	-	5 064 712
SIA LEITC (Latvia)	4	14 929	14 929	14 929
TOTAL:		524 279	15 925	5 080 637

SIA EUROLCDs (registration No 41203040030) is a company established on 10 March 2011. In 2015, AS HansaMatrix purchased 305 (three hundred and five) shares owned by SIA Macro Rīga out of 2 235 (two thousand two hundred thirty-five) shares in this company.

Based on unaudited data, SIA EUROLCDs had revenues of EUR 1 716 711 and loss of EUR 62 676 for the period from 1 January 2015 to 31 December 2015. Its equity as at 31 December 2015 was EUR 3 661 528.

As at 31 December 2015, paid and unpaid shares amounted to EUR 225 854 and EUR 282 500 respectively (see Note 36).

SIA LEO PĒTĪJUMU CENTRS (registration No 51203037371) is a company established on 27 July 2010 by 20 shareholders. AS HansaMatrix and SIA Ventpils Elektronikas Fabrika own 700 (seven hundred) out of 5 000 (five thousand) shares in this company. Based on unaudited data, equity of this company as at 31 December 2015 was EUR 150 000.

19. Other financial assets (cont'd)

On 23 November 2007, the Parent Company acquired the shares in Elektromekan i Ārjāng AB from the previous shareholder Westergyllen. On 18 December 2009, an agreement was signed on the sale of Elektromekan i Ārjāng AB to Hanza AB by means of a share swap. According to the agreement signed at the beginning of 2011, the Parent Company was to receive the shares issued by Hanza AB in proportion to the shareholding in Elektromekan i Ārjāng AB sold in 2010 or an equivalent payment in cash. On 26 October 2010, the Parent Company agreed with Hanza AB on the share swap, thereby acquiring 53 192 shares (11%) in Hanza Holding AB (Hanza Interessenter AB until 14 January 2011), which was the parent of Hanza AB, for EUR 5 064 712.

In 2014, AS HansaMatrix was reorganised by carving out the shares in Hanza Holding AB and investing them in the share capital of the subsidiary SIA HM Holding. In 2014, SIA HM Holding sold 37.5% from the Group owned 11% shares in Hanza Holding AB where in total was sold 4.1% of SIA HM Holding shares (Note 9). Remaining shares that amounts to 6.9% were impaired where the value was decreased till EUR 1 950 000 (Note 10).

In 2015, 100% shares in the subsidiary SIA HM Holding were sold for EUR 2 500 000, of which the amount of EUR 1 950 000 referred to the shares in Hanza Holding AB (Note 28).

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. Based on unaudited data, SIA LEITC had revenues of EUR 90 504 and profit of EUR 16 661 for the period from 1 January 2015 to 31 December 2015. Its equity as at 31 December 2015 was EUR 313 033.

20. Other loans and receivables

On 1 August 2011, the Parent 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 Parent Company made a security deposit of EUR 1 992 for the purposes of project implementation. In 2015, this amount was repaid by SIA LEO PĒTĪJUMU CENTRS to the Parent Company.

21. Prepaid expense

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Designing of the annex to the building – non-current portion	-	632	1 581
Other prepaid expense – non-current portion	-	-	13
Total non-current portion:	-	632	1 594
Insurance - current portion	9 243	7 874	8 213
Guarantee premium	4 282	3 793	4 000
Rent of premises	2 916	-	2 022
Commissions under factoring agreements	1 454		
Designing of the annex to the building – current portion	632	949	949
Ramp lease – current portion	-	-	118
Other prepaid expense – current portion	7 814	2 686	3 511
Total current portion:	26 341	15 302	18 813
TOTAL:	26 341	15 934	20 407

22. Raw materials

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Raw materials	1 787 225	1 363 017	1 274 209
Allowances for slow-moving items	(494 763)	(339 242)	(334 916)
TOTAL:	1 292 462	1 023 775	939 293

22. Raw materials (cont'd)

Movement of allowances for slow-moving items:

	2015 EUR	2014 EUR
At the beginning of the year	(339 242)	(334 916)
Release of allowances	30 650	24 873
Allowances established in the reporting year (see Note 2)	(186 171)	(29 199)
At the end of the year	(494 763)	(339 242)

23. Work in progress

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
Work in progress – raw materials	675 534	119 112	183 739
Work in progress - overheads	161 371	25 325	104 132
TOTAL:	836 905	144 437	287 871

In the second half of 2015, the Group started cooperation with a new customer. The manufacturing of a new product is material-intensive. The production process has been commenced and it will be completed in 2016, with the result that work in progress at the year end grew substantially.

24. Trade receivables

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
Other trade receivables	719 685	284 230	531 299
Allowances for doubtful trade receivables	-	-	(71 938)
TOTAL:	719 685	284 230	459 361

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

25. Loans to shareholders

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
SIA Macro Rīga	2 375 744	-	-
TOTAL:	2 375 744	-	-

The loan agreement was signed on 17 April 2015. The loan matures on 30 December 2016 and bears annual interest at the rate of 3.91%.

26. Receivables from related companies

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
SIA Macro Rīga	-	550 086	-
TOTAL:	-	550 086	-

27. Other receivables

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
VAT on prepayments	137 880	-	-
Interim payment by the ERDF for project 1.10	71 543	24 455	-
Overpayment of VAT	25 624	-	-
Other loans	18 350	-	-
Pledge payment - SIA Amfort	15 800	-	-
Loans to private individuals*	3 039	-	-
Security deposit - Latvija Statoil	7 145	4 721	4 721
Financing granted by LETERA for marketing activities	4 476	-	-
Accrued income (SIA Lightspace Technologies)	1 200	-	-
Pre-financing by the ERDF**	-	723 816	-
Guarantee coverage	-	32 170	27 904
Interim payment by the ERDF for employee training	-	12 563	-
Other receivables	152	195	434
TOTAL:	285 209	797 920	33 059

* A loan was issued to a private individual in 2015. The loan matures on 30 June 2016 and bears annual interest at the rate of 3.91%.

**In 2014, the Parent Company AS HansaMatrix 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.

In 2014, the subsidiary SIA Ventpils Elektronikas Fabrika entered into an agreement on the implementation of the project "Acquisition of Printed Circuit Component Surface Mount Modules", and the Investment and Development Agency of Latvia transferred 89.23% of the aid as pre-financing.

28. Asset held for sale

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Shares in Hanza Holding AB (Sweden)	-	1 950 000	-
TOTAL:	-	1 950 000	-

In 2014, AS HansaMatrix was reorganised by carving out the shares in Hanza Holding AB and investing them in the share capital of the subsidiary SIA HM Holding (see Note 19). In 2014, there was 4.1% that was 37.5% of the Group owned shares in Hanza Holding AB that was sold. See Note 9.

In 2015, 100% shares in the subsidiary SIA HM Holding were sold for EUR 2 500 000, of which the amount of EUR 1 950 000 referred to the shares in Hanza Holding AB.

29. Cash and cash equivalents

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Cash at bank	255 402	93 526	30 334
TOTAL:	255 402	93 526	30 334

Cash and cash equivalents by currency profile:

	31/12/2015		31/12/2014		01/01/2014	
	Currency	EUR	Currency	EUR	Currency	EUR
LVL	-	-	-	-	2 373	3 377
USD	611	561	2 543	2 094	17 105	12 614
EUR	254 841	254 841	91 432	91 432	14 343	14 343
TOTAL:		255 402		93 526		30 334

30. Share capital

After the denomination, the share capital of the Parent Company was EUR 1 280 272 and consisted of 9 016 shares. The share capital was fully paid. The par value of each share is EUR 142.

In 2015, a new investor was brought in, and the share capital was increased to EUR 1 546 380. As a result, the share capital consists of 773 190 shares, each having the par value of EUR 2.

	31/12/2015	31/12/2014	01/01/2014
	Equity interest, %	Equity interest, %	Equity interest, %
SIA Macro Rīga	82.8	100	25
Limited partnership FlyCap Investment F und I AIF	17.2	-	-
Baltic SME Fund C.V.	-	-	37.5
Hornell Teknikinvest AB	-	-	25
Proditron Sweden AB	-	-	12.5
TOTAL:	100	100	100

The share premium as at 31 December 2015 was EUR 1 094 987 (31 December 2014: EUR 761 415).

The dividends paid in 2014 were EUR 1 647 000.

31. Other reserves

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Share capital denomination reserve	313	313	-
TOTAL:	313	313	-

In 2014, the share capital was denominated into the euro. The denomination resulted in a difference of EUR 313, which was transferred to a reserve.

32. Non-current asset revaluation reserve

Real estate was revalued in 2007 and 2012 by certified appraisers. Revaluation is performed on a regular basis, which is once every five years. Land and buildings are stated at their revalued amount, which is equal to the fair value at the date of revaluation less any subsequent accumulated depreciation. According to the fair value hierarchy, these assets are classified in these financial statements as Level 3, where fair value is determined on the basis of significant unobservable inputs.

As a result of the revaluation, 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 retained earnings over the useful life of the asset. The revaluation reserve made for the land remains unchanged.

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Revaluation reserve (building)	1 433 886	1 512 200	1 590 515
Revaluation reserve (land)	215 131	215 131	215 131
Transferred to deferred corporate income tax	(247 352)	(259 100)	(270 846)
TOTAL:	1 401 665	1 468 231	1 534 800

33. Loans from credit institutions

				31/12/2015	31/12/2014 restated	01/01/2014
	Initial loan amount	Interest rate	Maturity	EUR	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	1 766 993	2 119 188	-
Citadele Banka AS (loan)	EUR 2 214 362	6m EURIBOR+3.5%	06/08/2020	1 384 814	1 734 433	-
Citadele Banka AS (loan)	EUR 1 500 000	6m EURIBOR+5.0%	24/08/2019	870 429	1 159 300	-
Citadele Banka AS (loan)	EUR 980 000	6m EURIBOR+4.0%	29/04/2021	758 866	-	-
Non-current loans from credit institutions:				4 781 102	5 012 921	2 543 681
Expense related to the conclusion of loan agreements – non-current portion				(53 253)	(54 470)	-
TOTAL:				4 727 849	4 958 451	2 543 681

				31/12/2015	31/12/2014 restated	01/01/2014
	Initial loan amount	Interest rate	Maturity	EUR	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	387 960	516 168	-
Citadele Banka AS (loan)	EUR 2 214 362	6m EURIBOR+3.5%	06/08/2020	348 856	333 737	-
Citadele Banka AS (loan)	EUR 1 500 000	6m EURIBOR+5.0%	24/08/2019	288 597	272 491	-
Citadele Banka AS (loan)	EUR 980 000	6m EURIBOR+4.0%	29/04/2021	157 445	-	-
Current loans from credit institutions:				1 182 858	1 122 396	856 339
Accrued interest to Citadele Banka				11 520	14 743	-
Expense related to the conclusion of loan agreements – current portion				(17 248)	(14 022)	-
TOTAL:				1 177 130	1 123 117	856 339

Loan principal amounts by their maturity dates can be specified as follows:

	2015 EUR	2014 EUR
Payable:		
Within one year	1 182 858	1 122 396
Between one and five years	4 718 102	4 747 756
More than five years	63 000	265 165
TOTAL:	5 963 960	6 135 317

34. Finance lease liabilities

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
Finance lease payments:			
Non-current portion – payable between one and five years	47 723	-	-
Current portion – payable within one year	18 100	-	-
TOTAL:	65 823	-	-

35. Issued debt securities

In 2007, the Parent 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 Group's Parent Company has pledged the shares in Hanza Holding AB to secure these bonds. In September 2014, the Parent Company obtained a loan from AS Citadele Banka and extinguished the bonds.

36. Deferred income

On 6 September 2011, the Parent 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 Parent Company fulfilled all the conditions set out in the agreement and acquired production equipment under the project 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 Parent Company received a grant of LVL 385 140 (EUR 548 005).

On 15 May 2014, the Parent Company entered into an agreement on the implementation of the project "Set-up of the Robotic Printed Circuit Board Assembly and Production Line" with the Investment and Development Agency of Latvia. The Parent Company fulfilled all the conditions set out in the agreement and acquired production equipment under the project for a total amount of EUR 660 546. After the conditions of project implementation had been assessed, on 16 September 2015 the Parent Company received a grant of EUR 298 582.

On 18 September 2014, the Parent Company entered into an agreement on the implementation of the project "Launch of the Production of Precision Metal Parts of the Volumetric 3D Display System at SIA Hanzas Elektronika" with the Investment and Development Agency of Latvia. The Parent Company fulfilled all the conditions set out in the agreement and acquired production equipment under the project for a total amount of EUR 232 913. After the conditions of project implementation had been assessed, on 8 October 2015 the Parent Company received a grant of EUR 105 313.

On 4 October 2006, the subsidiary SIA Ventspils Elektronikas fabrika entered into a grant agreement associated with the implementation of the state aid programme. The subsidiary fulfilled all the conditions set out in the agreement signed between the subsidiary and the Investment and Development Agency of Latvia. Under the project, the subsidiary set up a production facility and acquired production equipment for a total amount of LVL 1 149 158 (EUR 1 635 105). After the conditions of project implementation had been assessed, on 29 August 2007 the subsidiary received a grant of LVL 600 000 (EUR 853 723). This amount had been recognised as income by 30 April 2015.

On 15 May 2014, the subsidiary entered into an agreement on the implementation of the project "Acquisition of Printed Circuit Component Surface Mount Modules" associated with the implementation of the state aid programme. The subsidiary fulfilled all the conditions set out in the agreement signed between the subsidiary and the Investment and Development Agency of Latvia. The subsidiary acquired production equipment under the project for a total amount of EUR 895 347. After the conditions of project implementation had been assessed, on 14 September 2015 the subsidiary received a grant of EUR 404 717.

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

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Non-current	911 861	325 377	429 450
Current	169 577	104 073	175 216
TOTAL:	1 081 438	429 450	604 666

37. Prepayments received from customers

In 2015, the Group started cooperation with a new customer. The manufacturing of a new product is material-intensive and requires specific materials, for which prepayments must be made. The customer has made a prepayment for the acquisition of materials, which led to an increase in total prepayments received from customers.

38. Trade payables

	31/12/2015 EUR	31/12/2014 EUR	01/01/2014 EUR
Balances due to foreign creditors	1 222 787	808 555	875 493
Balances due to local suppliers for services	434 106	91 103	59 074
Balances due to local suppliers for goods	140 169	77 527	37 007
TOTAL:	1 797 062	977 185	971 574

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

39. Taxes payable

	31/12/2013 EUR	Calculated EUR	Penalties EUR	Paid EUR	31/12/2014 EUR
Statutory social insurance contributions	(69 446)	(786 540)	(3 782)	799 965	(59 803)
Personal income tax	(35 166)	(409 787)	(1 938)	409 469	(37 422)
Value added tax	(36 248)	(478 203)	(1 743)	464 699	(51 495)
Natural resource tax	(635)	(674)	-	1 083	(226)
Real estate tax	-	(5 186)	(56)	5 223	(19)
Unemployment risk duty	(92)	(1 058)	-	1 069	(81)
Corporate income tax (restated)	(56 192)	(102 438)	(844)	126 334	(33 140)
TOTAL:	(197 779)	(1783 886)	(8 363)	1 807 842	(182 186)
TOTAL PAYABLE:	(197 779)				(182 186)
TOTAL RECEIVABLE:	-				-

	31.12.2014 EUR	Calculated EUR	Penalties EUR	Transferred EUR	Paid EUR	31.12.2015 EUR
Statutory social insurance contributions	(59 803)	(916 317)	(4 810)	2 795	913 568	(64 567)
Personal income tax	(37 422)	(474 179)	(2 389)	105	477 312	(36 573)
Value added tax	(51 495)	(600 989)	(2 595)	(2 900)	611 711	(71 892)
						25 624
Natural resource tax	(226)	(2 248)	(3)	-	2 116	(361)
Real estate tax	(19)	(5 576)	(24)	-	5 616	(3)
Unemployment risk duty	(81)	(1 084)	-	-	1 092	(73)
Corporate income tax	(33 140)	(115 399)	(1 898)	-	106 601	(43 836)
TOTAL:	(182 186)	(2190 622)	(11 719)	-	2 118 016	(191 681)
TOTAL PAYABLE:	(182 186)					(217 305)
TOTAL RECEIVABLE:	-					25 624

40. Other liabilities

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Unpaid shares in SIA EOROLCDS	282 500	-	-
Salaries	148 079	148 849	140 228
Balances due to employees	229	1 034	28
Credit cards	117	2 224	2 053
Pre-financing by the ERDF*	-	723 816	-
Other liabilities	277	447	617
TOTAL:	431 202	876 370	142 926

*In 2014, the Parent 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.

In 2014, the subsidiary SIA Ventspils Elektronikas Fabrika entered into an agreement on the implementation of the project “Acquisition of Printed Circuit Component Surface Mount Modules”, and the Investment and Development Agency of Latvia transferred 89.23% of the aid as pre-financing.

41. Accrued liabilities

	31/12/2015	31/12/2014	01/01/2014
	EUR	EUR	EUR
Vacation pay reserve	111 290	96 645	99 519
Accumulated interest on dividends	-	-	25 132
Accumulated interest on securities	-	-	6 858
Accumulated interest on the loans from Swedbank AS	-	-	842
Other accrued liabilities	66 298	50 225	36 357
TOTAL:	177 588	146 870	168 708

42. Off-balance sheet items

As at 31 December 2015, the Group had raw materials received from customers. The total value of these materials was EUR 12 317 448 (31 December 2014: EUR 12 977 988). These raw materials are processed and sent back to customers.

43. Commitments and contingencies

Pledges and other restrictions on title

The Parent Company has pledged its immovable property at Akmeņu iela 72, Ogre, and movable properties as security for all the loans granted by AS Citadele Banka (see Note 30).

Surety

In August 2014, the subsidiary SIA Ventspils Elektronikas Fabrika entered into surety agreements with AS Citadele banka for the benefit of the Group's Parent Company AS HansaMatrix. The agreements expire in August 2019 and 2020 and April 2021.

Commitments under operating leases

The Parent Company and the subsidiary have entered into vehicle lease agreements. The future aggregate minimum lease payments are as follows:

	2015	2014	2013
	EUR	EUR	EUR
Payable:			
Less than one year	28 852	27 060	21 757
Between one and five years	32 045	35 878	35 094
More than five years	-	-	-
TOTAL:	60 897	62 938	56 851

43. Commitments and contingencies (cont'd)

Lease commitments

The subsidiary SIA Ventpils Elektronikas Fabrika has entered into an agreement on the lease of production facilities and land at Ventpils Augsto Tehnoloģiju Parks - 1, Ventpils, with the foundation Ventpils Augsto tehnoloģiju parks (Ventpils High Technology Park). The production facilities were commissioned on 1 December 2006. The total amount of lease expenses (including utilities) of the subsidiary was EUR 272 572 (including VAT at 21%) in 2015 (2014: EUR 231 468 (including VAT at 21%)).

The minimum lease payment (without utilities) due to the foundation Ventpils Augsto tehnoloģiju parks (Ventpils High Technology Park) in 2016 under the real estate lease agreement is EUR 142 775 (including VAT at 21%). The lease expires on 30 April 2021.

In 2015, the subsidiary SIA Ventpils Elektronikas Fabrika entered into an agreement on the lease of additional production facilities and land at Ventpils Augsto Tehnoloģiju Parks - 1, Ventpils, with the Freeport of Ventpils Authority. The production facilities were commissioned on 15 June 2015. The total amount of lease expenses (including utilities) of the subsidiary was EUR 113 494 (including VAT at 21%) in 2015.

The minimum lease payment (without utilities) due to the Freeport of Ventpils Authority in 2016 under the real estate lease agreement is EUR 197 635 (including VAT at 21%). The lease expires on 1 August 2019.

44. Changes and restatement of comparative figures

As a result of the first-time adoption of IFRS, the presentation of the revaluation reserve was changed. The release of the revaluation reserve is attributed to retained earnings.

		Initial balance as at 31/12/2014 EUR	Restatement EUR	Restated balance as at 31/12/2014 EUR
Notes				
Restated captions of the statement of financial position:				
Retained earnings/ (accumulated deficit) brought forward	Depreciation of revalued items of property, plant and equipment Deferred corporate income tax related to revalued items of property, plant and equipment	112 088	78 315 (11 746)	178 657
Retained earnings for the period	Depreciation of revalued items of property, plant and equipment Deferred corporate income tax related to revalued items of property, plant and equipment	(2 037 133)	(78 315) 11 746	(2 103 702)
		Initial balance for 2014	Restatement	Restated balance for 2014
Restated captions of the statement of comprehensive income:				
Cost of sales	Depreciation of revalued items of property, plant and equipment	8 380 826	78 315	8 459 141
Deferred corporate income tax	Deferred corporate income tax related to revalued items of property, plant and equipment	81 188	(11 746)	69 442
Net profit for the year	Depreciation of revalued items of property, plant and equipment Deferred corporate income tax related to revalued items of property, plant and equipment	(2 037 133)	(78 315) 11 746	(2 103 702)
Restated captions of the statement of cash flows:				
Profit before tax	Depreciation of revalued items of property, plant and equipment	(1 858 595)	(78 315)	(1 936 910)
Adjustments for: Amortisation and depreciation	Depreciation of revalued items of property, plant and equipment	781 965	78 315	860 280

44. Changes and restatement of comparative figures (cont'd)

Expense directly related to the conclusion of loan agreements with credit institutions for the year 2014 (e.g., commission fees payable for the conclusion of agreements, etc.) has been specified in these financial statements. Initially, expense related to the conclusion of new loan agreements was fully attributed to the year 2014, while in 2015 the expense amount has been restated by distributing it equally over the life of respective agreements.

		Initial balance as at 31/12/2014 EUR	Restatement EUR	Restated balance as at 31/12/2014 EUR
Notes				
Restated captions of the statement of financial position:				
Retained earnings for the period	Expense related to the conclusion of agreements	(2 103 702)	68 492	(2 045 484)
	Re-calculation of corporate income tax		(10 274)	
Loans from credit institutions (non-current portion)	Expense related to the conclusion of agreements (non-current portion)	5 012 921	(54 470)	4 958 451
Loans from credit institutions (current portion)	Expense related to the conclusion of agreements (current portion)	1 122 396	(14 022)	1 123 117
	Accrued bank interest		14 743	
Accrued liabilities	Accrued bank interest	161 613	(14 743)	146 870
Taxes payable	Re-calculation of corporate income tax	171 912	10 274	182 186
		Initial balance for 2014	Restatement	Restated balance for 2014
Restated captions of the statement of comprehensive income:				
Financial expense	Expense related to the conclusion of agreements	350 463	(68 492)	281 971
Corporate income tax	Re-calculation of corporate income tax	92 164	10 274	102 438
Net profit for the year	Expense related to the conclusion of agreements, corporate income tax	(2 103 702)	68 492	(2 045 484)
	Expense related to the conclusion of agreements, corporate income tax		(10 274)	
Restated captions of the statement of cash flows:				
Profit before tax	Expense related to the conclusion of agreements	(1 936 910)	68 492	(1 868 418)
Loans received from credit institutions	Expense related to the conclusion of agreements	1 114 819	(68 492)	1 046 327

44. Changes and restatement of comparative figures (cont'd)

For comparability purposes, certain captions of the statement of financial position and the statement of comprehensive income for the year ended 31 December 2014 have been restated.

		Initial balance as at 31/12/2014 EUR	Restatement EUR	Restated balance as at 31/12/2014 EUR
Notes				
Restated captions of the statement of financial position:				
Non-current investments in shares	Shares in Hanza AB	1 950 000	(1 950 000)	-
Asset held for sale (current)	Shares in Hanza AB	-	1 950 000	1 950 000
		Initial balance for 2014	Restatement	Restated balance for 2014
Restated captions of the statement of comprehensive income:				
Cost of sales	Research and development costs	8 459 141	135 775	8 600 102
	Real estate tax		5 186	
Administrative expense	Research and development costs	958 051	(135 775)	822 276
Other operating expense	Currency exchange loss, net	-	21 705	34 268
	Penalties paid		11 505	
	Loss on disposal of property, plant and equipment		1 058	
Financial expense	Currency exchange loss, net	281 971	(21 705)	247 703
	Penalties paid		(11 505)	
	Loss on disposal of property, plant and equipment		(1 058)	
Real estate tax	Transferred to the cost of sales	5 186	(5 186)	-
Restated captions of the statement of cash flows:				
Profit before tax	Real estate tax	(1 868 418)	(5 186)	(1 873 604)
Adjustment of the investment value	Investments in shares – investment impairment	-	3 114 712	3 114 712
Adjustments for: Increase in payables	Real estate tax balance	677 686	(37)	677 649
Real estate tax paid	Real estate tax paid	(5 223)	5 223	-
Cash flows to/ from investing activities	Investments in shares - investment impairment	3 114 712	(3 114 712)	-

45. Changes in accounting policies

In 2015, the HansaMatrix Group segregated product development and research as a new way. To ensure the comparability of information within the Group, starting from 2014 the costs of research and product development have been reported as the cost of sales, while previously these costs were included in administrative expense.

As a result of the first-time adoption of IFRS, the presentation of the revaluation reserve was changed. A decrease in the revaluation reserve is attributed to retained earnings, while previously it was taken to the statement of comprehensive income for the relevant period.

In these financial statements, interest receivable and similar income has been transferred to other operating income and financial income, while interest payable and similar expense has been reclassified as other operating expense and financial expense.

46. Financial risk management

The Group'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 Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

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

Foreign currency risk

The Group's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables and trade payables. The Group is mainly exposed to foreign currency risk of the U.S. dollar. In order to control foreign currency risk, trade receivables which can be potentially exposed to this risk are managed in accordance with the appropriate pricing policy. The Group is mainly exposed to foreign currency risk of the U.S. dollar (USD).

The Group's currency risk as at 31 December 2015 may be specified as follows:

		USD EUR	JPY EUR	EUR EUR	TOTAL EUR
Trade receivables	2015	139 454	-	484 275	623 729
	2014	31 409	-	819 881	851 290
Cash	2015	561	-	250 884	251 445
	2014	15 034	-	75 993	91 027
Total financial assets, EUR	2015	140 015	-	735 159	875 174
	2014	46 443	-	895 874	942 317
Trade and other payables	2015	106 707	69 695	1 394 431	1 570 833
	2014	173 332	-	592 555	765 887
Total financial liabilities, EUR	2015	106 707	69 695	1 394 431	1 570 833
	2014	173 332	-	592 555	765 887
Net assets/ (liabilities), EUR	2015	33 308	(69 695)	(659 272)	(695 659)
	2014	(126 889)	-	303 319	176 430

As of 31 December 2015 to the date of these financial statements, the USD/EUR exchange rate grew by nearly 3%. The Group has evaluated the potential effect of USD currency exchange rate fluctuations on profit before tax as at 31 December 2015. The effect on equity would include the effect on profit adjusted by corporate income tax of 15%.

46. Financial risk management (cont'd)

Exchange rate change		Potential net effect from the USD exchange rate change	Potential net effect from the JPY exchange rate change	Total, EUR
		EUR	EUR	EUR
+10%	2015	(3 028)	6 336	3 308
	2014	1 172	-	1 172
+5%	2015	(1 586)	3 319	1 733
	2014	614	-	614
-5%	2015	1 753	(3 668)	(1 915)
	2014	(678)	-	(678)
-10%	2015	3 701	(7 744)	(4 043)
	2014	1 432	-	1 432

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate on the Group's borrowings is disclosed in Note 30.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on mainly EURIBOR floating rate borrowings). There is no impact on equity, except for the effect on the current year result.

Interest rate sensitivity for the Group may be specified as follows:

Year	EURIBOR change	Effect on profit before tax
		EUR
2015	+1.0%	54 263
2014		56 253
2015	+0.5%	27 131
2014		28 126

Liquidity risk

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analysing future cash flows comprising both the existing and planned loans and interest on such loans.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 based on contractual undiscounted payments.

		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Interest bearing borrowings	2015	290 378	892 480	4 718 102	63 000	5 963 960
	2014	275 343	847 053	4 747 756	265 165	6 135 317
Other financial liabilities	2015	3 321	10 093	39 780	-	53 194
	2014	-	-	-	-	-
Trade and other payables	2015	1 029 019	-	-	-	1 029 019
	2014	765 887	-	-	-	765 887
TOTAL	2015	1 322 718	902 573	4 757 882	63 000	7 046 173
	2014	1 041 230	847 053	4 747 756	265 165	6 901 204

46. Financial risk management (cont'd)

Credit risk

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

	31/12/2015	31/12/2014
	EUR	EUR
Trade receivables – non-insured	569 465	209 055
Insured trade receivables (factoring)	850 978	697 217
TOTAL:	1 420 443	906 272
Factoring prepayment made	(772 774)	(622 042)
	647 669	284 230

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios to support its business and increase the shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

From time to time, the management controls capital using the equity/assets ratio as following:

	31/12/2015	31/12/2014
	EUR	EUR
Equity	3 768 077	1 643 404
Total assets	15 001 485	10 978 227
Equity to total assets	25%	15%

The existing equity level is sufficient for smooth operations of the Group and meets bank covenants with a good margin. It is also sufficient to obtain new bank loans, if necessary.

Fair value

The fair value of financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2015.

Assets and liabilities for which fair value is disclosed	Total at carrying amount	Total at fair value	Fair value measurement using		
			quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Loans to shareholders	2 375 744	2 375 744	-		2 375 744
Finance lease liabilities	65 823	65 823	-	65 823	-
Floating rate borrowings	5 904 979	5 904 979	-	5 904 979	-

The following methods and assumptions were used to estimate the fair values:

- The fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximates to their carrying amount largely due to the short-term maturities of these instruments.
- The fair value of loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, which are based on Level 2 measurement. No material difference between the carrying amount and the fair value has been identified.

47. Going concern

As at 31 December 2015, the Group's current assets exceeded its current liabilities by EUR 986 009. The Group's management has prepared the 2016 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.

48. Events after the reporting period

On 14 January 2016, an agreement was signed on the purchase of a land plot of 1.535 ha, which is adjacent to the existing land plot, at Akmeņu iela 74, Ogre, for the purposes of the further expansion of the Ogre plant

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

49. Correction of the initial annual report for the year ended 31 December 2015

After the initial annual report has been prepared, AS HansaMatrix has detected a discrepancy in the materials of work in progress at the year end and made respective corrections. As a result of these corrections, the balance of the aforementioned materials and overheads related to work in progress has decreased by EUR 419 298 and EUR 87 223 respectively. As a result, work in progress has decreased, while the cost of sales has grown accordingly by EUR 506 521. Corporate income tax has been adjusted downwards by EUR 75 978.