SIA
FLAMES GROUP

Annual Report

for 2015

Contents

Information on the Company

Name of the company	*SIA Flames group*
Legal status	*Limited Liability Company*
Number, place and date of registration	*40103248897, Riga, 16 September 2009*
Legal and postal address	*Kr. Barona iela 88, Rīga, LV-1001*
Members of the Board and their positions	*Svjatoslavs Belozjerovs, Chairman of the Board*
Reporting year	*01.01.2015 – 31.12.2015*
Auditors	*KPMG Baltics SIA* *Vesetas iela 7* *Riga, LV-1013* *License No 55*

Management Report

Line of business

Short description of the Company's activities in the reporting year

The primary activities of the Company is the provision of telecommunication services and sales of telecommunication equipment.

The revenue from services provided and goods sold in 2015 amounts to EUR 2 804 948.

Company's further development

The primary areas for development of the Company in 2015:

- Reduction of the cost of production by changing the hardware architecture and lowering the cost of base elements in order to widen the range of potential buyers;
- Optimisation of the internal structure of the Company in order to raise efficiency and the quality of services to support further cooperation with Tier 2 companies (national carriers, licensed mobile carriers and large transit carriers);
- Expansion into new foreign markets.

Subsequent events

No significant subsequent events have occurred since the last day of the reporting period that would materially influence the Company's financial statements as at and for the year ended 31 December 2015.

Proposals regarding cover of the Company's losses

Management of the Company made a decision to cover reporting year losses amounted to EUR 130 980 from retained earnings.

Svjatoslavs Belozjerovs
Chairman of the Board

19 May 2016

Profit and Loss Statement for 2015

	Note	2015 EUR	2014 EUR
Net sales	2	2 804 948	6 936 745
Cost of goods sold	3	(2 676 274)	(6 772 626)
Gross profit		**128 674**	**164 119**
Selling expenses	4	(82 280)	(47 391)
Administrative expenses	5	(153 305)	(79 769)
Other operating income	6	1 701	11 846
Other operating expenses	7	(24 808)	(30 013)
Interest and similar expenses	8	(962)	-
Profit before tax		**(130 980)**	**18 792**
Corporate income tax	9	-	(4 028)
Current year's profit		**(130 980)**	**14 764**

The accompanying notes on pages 10 to 20 from an integral part of these financial statements.

Svjatoslavs Belozjerovs
Chairman of the Board

19 May 2016

Balance Sheet as at 31 December 2015

Assets	Note	2015 EUR	2014 EUR
Long term investments			
Intangible assets			
Other intangible assets		1 588	7 939
Total intangible assets	10	**1 588**	**7 939**
Property, plant and equipment			
Other fixed assets		1 943	5 677
Total fixed assets	11	**1 943**	**5 677**
Total long term investments		**3 531**	**13 616**
Current assets			
Inventories			
Raw materials		893	645
Goods ready for sale	12	73 264	39 620
Prepayments for goods		22 892	40 441
Total stock		**97 049**	**80 706**
Receivables			
Trade receivables	13	85 573	164 233
Other receivables	14	17 651	30 553
Accrued income		4 534	-
Total receivables		**107 758**	**194 786**
Cash	15	**49 083**	**64 447**
Total current assets		**253 890**	**339 939**
Total assets		**257 421**	**353 555**

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Balance Sheet as at 31 December 2015

Liabilities	Note	2014 EUR	2013 EUR
Shareholders' equity			
Share capital	16	2 846	2 846
Retained earnings:			
retained earnings brought forward from previous years		202 782	188 018
profit/(loss) of the reporting period		(130 980)	14 764
Total equity		**74 648**	**205 628**
Short term liabilities			
Loans and borrowings from credit institutions	17	35 742	-
Accounts payable to suppliers and contractors	18	134 637	134 609
Taxes and social contributions	19	64	-
Other liabilities	20	7 452	9 401
Accrued liabilities		4 878	3 917
Total short term liabilities		**182 773**	**147 927**
Total liabilities		**183 773**	**147 927**
Total liabilities		**257 421**	**353 555**

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Svjatoslavs Belozjerovs
Chairman of the Board

19 May 2016

Statement of Cash Flows for 2015

	Note	2015 EUR	2014 EUR
Cash flows from operating activities			
1. Profit or (loss) before taxes		(130 980)	18 792
Adjustments for:			
depreciation;		10 085	10 346
interest and similar expenses		962	-
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		(119 933)	29 138
Adjustments for:			
decrease of receivables;		76 537	82 602
(increase)/decrease of stock;		(16 343)	33 761
decrease of accounts payable to suppliers, contractors and other creditors		(896)	(161 279)
3. Gross cash flows from operating activities		(60 635)	(15 778)
4. Interest payments		(962)	-
5. Corporate income tax		10 491	(34 611)
Net cash flows from operating activities		**(51 106)**	**(50 389)**
Cash flows from investing activities			
Purchase of fixed and intangible assets		-	(3 810)
Net cash flows from investing activities		-	**(3 810)**
Cash flows from financing activities			
Loans received		35 742	-
Net cash flows from financing activities		**35 742**	-
Net decrease in cash and cash equivalents		**(15 364)**	**(54 199)**
Cash and cash equivalents at the beginning of the period		**64 447**	**118 646**
Cash and cash equivalents at the end of the period	15	**49 083**	**64 447**

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Svjatoslavs Belozjerovs
Chairman of the Board

19 May 2016

Statement of Changes to the Shareholders Equity for 2015

	Share capital EUR	Retained earnings brought forward from previous years EUR	Profit or (loss) of the reporting year EUR	Total equity EUR
31.12.2013	**2 846**	**55 442**	**132 576**	**190 864**
Profit of 2013 transferred to retained earnings	-	132 576	(132 576)	-
Profit for the year	-	-	14 764	14 764
31.12.2014	**2 846**	**188 018**	**14 764**	**205 628**
Profit of 2014 transferred to retained earnings	-	14 764	(14 764)	-
Loss for the year	-	-	(130 980)	(130 980)
31.12.2015	**2 846**	**202 782**	**(130 980)**	**74 648**

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Svjatoslavs Belozjerovs
Chairman of the Board

19 May 2016

Notes to the Financial Statements

(1) Summary of significant accounting principles

Information on the Company's activities

The primary activities of SIA Flames group is provision of telecommunication services. Business activity according to NACE 2.0 editorial:

- other telecommunication services (61.9);
- programming, consultation and related actitivites (62).

Basis of preparation

The financial statements have been prepared in accordance with the law "On Accounting" and the "Annual Reports Law".

The profit and loss statement was prepared according to the turnover costing method. The cash flow statement was prepared according to the indirect method. The financial statements are prepared on the historical cost basis.

Accounting principles

The financial statements were prepared in accordance with the following policies:

a) Going concern assumption that the Company will continue as a going concern
b) Consistent valuation principles with those used in the prior year.
c) Items were valued in accordance with the principle of prudence:
   - the financial statements reflect only the profit generated to the date of the balance sheet;
   - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
   - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period.
e) Assets and liabilities have been valued separately.
f) Opening balances of the reporting year agree to prior year closing balances.
g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:

Notes to the Financial Statements

i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii) Both entities are joint ventures of the same third party.
iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi) The entity is controlled, or jointly controlled by a person identified in (a).
vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a consideration is determined.

Financial instruments and financial risks

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.

The key financial instruments held by the Company are financial assets such as trade receivables and other receivables and financial liabilities, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

Financial risks connected with the Company's financial instruments, financial risk management

Key financial risks related to the Company's financial instruments are:

- Currency risk – risk that the Company may suffer unexpected losses arising from fluctuations in the foreign exchange rates;
  The currency risk arises from sales, purchases and other monetary assets and liabilities denominated in USD.
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented the following procedures to control key (or significant) risks.

Currency risk

For the purposes of currency risk management, the Company's management performs regular oversight to ensure that the currency structure of assets and liabilities is matched.

Liquidity risk

The Company is monitoring its liquidity risk by maintaining appropriate level of cash and cash equivalents.

Use of derivative financial instruments

Derivative financial instruments are not used for hedging risks.

Reporting period

The reporting period is the 12 months from 1 January 2015 to 31 December 2015.

Notes to the Financial Statements

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the official currency of the Republic of Latvia – euro (EUR).

Foreign currency transactions are translated into euro applying the euro foreign exchange reference rate published by the European Central Bank at the transaction date.

All monetary asset and liability items were revalued to euro according to the euro foreign exchange reference rate published by the European Central Bank on the last day of the reporting year. Non-monetary items of assets and liabilities, and foreign exchange transactions are revalued to euro in accordance with the euro foreign exchange reference rate published by the European Central Bank on the transaction date.

	31.12.2015	**31.12.2015**
USD	1.0887	1.2141

Profit or loss arising from the fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the profit and loss statement in the respective period in which the fluctuation occurs.

Estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

(i) Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(ii) Useful lives of fixed and intangible assets

Management estimates the useful lives of fixed and intangible assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. According to management estimates, the useful lives of certain fixed and intangible assets are the following:

Intangible assets:	
Other intangible assets	5 years
Property, plant and equipment:	
Other fixed assets	3 years

(iii) Net realizable value of inventories

Inventories are measured at the lower of cost and net realizable value. Management has to estimate the value of inventories whenever there are indications that the recoverable amount of inventories may have decreased below their carrying amount. If this occurred, inventories are written down to their net realizable value, i.e., the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

(iv) Valuation of receivables

A number of significant risks and uncertainties are inherent to the process of monitoring financial assets and estimating impairment. These risks and uncertainties include the risk the Company's assessment of the clients' ability to meet all their liabilities will change according to changes in the clients' credit ratio and the risk that the economic situation will deteriorate beyond expected.

Receivables are valued according to the principle of prudence and recognized at net amount due less allowances for doubtful loans and trade receivables.

Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable.

Revenue recognition

Income from services
Revenue from services provided is recognized in the profit and loss statement as generated.

Income from sales of goods
Revenue from sales of goods is recognized in the profit and loss statement after the risks and rewards of ownership are transferred to the customer.

Long and short term classification

Amounts whose terms of receipt, payment or write off are due more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within one year of the balance sheet date are classified as short term.

Lease transactions

Operating lease
Payments for operating lease are recognized in the profit and loss statement on a straight line basis over the period of lease.

Fixed and intangible assets

Intangible assets and fixed assets are recognised at historical cost, less accumulated amortization and depreciation. Amortization and depreciation is calculated from the first day of the month following their putting to operation until the first day of the month following their disposal. Amortization and depreciation is calculated on a straight-line basis and written-off over the useful lives of the assets.

The depreciation method is reviewed at least on an annual basis, at the year-end.

Stock

Stock has been valued according to the FIFO method.

Stock accounting is based on the perpetual method.

Corporate income tax

Corporate income tax comprises current and deferred tax. Corporate income tax is recognized in the profit and loss statement.

Current tax

Current income tax is calculated in accordance with the law "On Corporate Income Tax" by setting the amount of taxable income and applying a tax rate of 15%.

Notes to the Financial Statements

Deferred tax

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting using the balance sheet method providing for purposes and the amounts used for taxation purposes. These differences have primarily occurred due to different depreciation rates used for fixed assets in tax accounting and financial accounting, recognized provisions and tax losses available to be carried forward according to the tax declaration. Deferred tax is calculated based on the statutory rate of 15%.

New Law On annual reports and consolidated annual reports applicable in Republic of Latvia when preparing financial statements for financial year starting on 1 January 2016 and after

Effective from 1 January 2016, the new Annual Reports and Consolidated Annual Reports Law and the related Cabinet of Ministers Regulation No. 775 entered into force in Latvia superseding the Annual Reports Law and the related Cabinet of Ministers Regulations No. 488 and 481 that were used as the framework for preparing these financial statements.

According to the new law, balance sheet items Investment Property, Biological Assets, Deferred Tax Assets, Long-term Investments Held for Sale and Deferred Tax Liabilities are to be used only by a company that following exemptions stipulated in the law, recognises and measures these items in accordance with the International Accounting Standards (international Financial Reporting Standards as adopted by the EU).

The new law also further simplifies the preparation of financial statements of small and medium-sized companies but, meanwhile, stipulates that the financial statements should give a true and fair view of the company's financial position and profit or loss, and, in the case of a large company, also of its cash flows.

According to management estimates, the Company will meet the definition of a small company.

The management is currently considering the impact of the new law on the items presented in the financial statements and the measurement of these items.

Notes to the Financial Statements

(2) Net sales

Net sales represents revenue generated during the reporting period from the Company's basic activities – sales of services, net of value added tax and discounts.

Line of business	**2015 EUR**	**2014 EUR**
Telecommunication services	2 195 768	6 762 407
Sales of telecommunication equipment	604 586	174 338
SMS services	4 594	-
	2 804 948	**6 936 745**

Net sales by geographic markets:

	2015 EUR	**2014 EUR**
EU countries	885 069	5 984 826
Third countries	1 890 488	914 346
Latvia	29 391	37 573
	2 804 948	**6 936 745**

(3) Cost of goods sold

Cost of goods sold represents costs incurred for generating net sales – such as costs of services recognized at acquisition cost, and costs related to purchase of services.

	2015 EUR	**2014 EUR**
Costs related to services	2 267 798	6 614 975
Cost of goods sold	389 074	116 339
Server lease	19 402	41 312
	2 676 274	**6 772 626**

(4) Selling expenses

	2015 EUR	**2014 EUR**
Advertisement and representation expenses	2 526	26 440
Delivery expense	50 389	17 146
Packaging materials	4 167	2 124
Repair expenses	50	1 681
Changes in allowance for doubtful trade receivables	15 969	-
Changes in provision for stock	9 179	-
	82 280	**47 391**

Notes to the Financial Statements

(5) Administrative expenses

	2015 EUR	2014 EUR
Personnel costs	4 320	3 840
Compulsory state social security contributions	1 019	906
Communication expenses	858	469
Expenses on cash turnover	7 951	7 564
Risk duty	4	4
Professional expenses	131 596	58 527
Other expenses	7 557	8 459
	153 305	**79 769**

(6) Other operating income

	2015 EUR	2014 EUR
Other income	1 701	4 579
Profit from currency exchange fluctuations	-	972
Decrease in allowance for doubtful debt	-	6 295
	1 701	**11 846**

(7) Other operating expenses

	2015 EUR	2014 EUR
Amortization of intangible assets	6 352	6 352
Audit expenses	6 954	6 752
Expenses on currency translation	1 553	-
Depreciation	3 734	3 994
Loss on doubtful debt write off	6 115	12 144
Penalties	100	1
Other expenses	1	770
	24 808	**30 013**

(8) Income from investment related and associated companies

	2015 EUR	2014 EUR
Calculated interest from overdraft	962	-
	962	**-**

Notes to the Financial Statements

(9) Corporate income tax for the reporting year

	2015 EUR	2014 EUR
Current tax in line with the tax return	-	4 028
	-	**4 028**

(10) Intangible assets

	Other intangible assets EUR
Historical cost	
31.12.2014	**31 758**
31.12.2015	**31 758**
Accumulated depreciation	
31.12.2014	**23 819**
Depreciation	6 351
31.12.2015	**30 170**
Balance as at 31.12.2014	**7 939**
Balance as at 31.12.2015	**1 588**

(11) Fixed assets

	Other intangible assets EUR
Historical cost	
31.12.2014	**14 309**
31.12.2015	**14 309**
Accumulated depreciation	
31.12.2014	**8 632**
Depreciation	3 734
31.12.2015	**12 366**
Balance as at 31.12.2014	**5 677**
Balance as at 31.12.2015	**1 943**

Notes to the Financial Statements

(12) Finished goods and goods held for sale

	2015 EUR	2014 EUR
Goods for sale	82 443	39 620
Provisions for slow moving stock	(9 179)	-
	73 264	**39 620**

(13) Trade receivables

	2015 EUR	2014 EUR
Trade receivables, gross value	108 433	171 124
Allowance for doubtful debts	(22 860)	(6 891)
	85 573	**164 233**

(14) Other receivables

	2015 EUR	2014 EUR
Overpaid taxes	17 651	30 366
Other receivables	-	187
	17 651	**30 553**

(15) Cash

By currency:		**2015**		**2014**	
		Currency	**EUR**	**Currency**	**EUR**
Current account	USD	31 535	28 966	78 118	64 242
Current account	EUR		20 117		205
			49 083		**64 447**

(16) Share capital

Share capital of the Company as at 31 December 2015 is EUR 2 846, which has been obtained by recalculating the registered share capital of LVL 2 000 using the official currency exchange rate of LVL 0,702804 to EUR 1, and it is divided into 200 shares. The registration of share capital to euro in accordance with the Latvian legislation has to be completed by 30 June 2016.

(17) Loans from credit institutions

		2015		**2014**	
Short term		**Currecny**	**EUR**	**Currency**	**EUR**
Overdraft	USD	38 912	35 742	-	-
			35 742		-

Overdraft
The short term loan represents an overdraft on the current account. The maximum amount of overdraft is USD 65 000. The amount of overdraft used at 31 December 2015 was **EUR 35 742.** The maturity of overdraft is June 2016, and carries an annual interest rate of 14 %. In April 2016 overdraft is fully repaid. Agreement will not be prolonged.

Notes to the Financial Statements

(18) Accounts payable to suppliers and contractors

	2015 EUR	2014 EUR
Accounts payable to suppliers and contractors	134 637	134 609
	134 637	**134 609**

Accounts payable to suppliers and contractors by currency:	2015		2014	
	Currency	**EUR**	**Currency**	**EUR**
USD	137 703	126 484	89 113	73 284
EUR	-	8 153	-	61 325
		134 637		**134 609**

(19) Taxes and social contributions

Type of tax	Balance at 31.12.2014	Calculated in 2015	Repaid back/(paid) in 2015	Balance at 31.12.2015
	EUR	EUR	EUR	EUR
Corporate income tax	(23 511)	-	10 941	(13 020)
Value added tax	(6 849)	(83 266)	85 484	(4 631)
Social contributions	(1)	1 473	(1 472)	-
Personal income tax	(5)	959	(890)	64
Risk duty	-	4	(4)	-
	(30 366)	**(80 830)**	**93 609**	**(17 587)**

Overpaid taxes	**(30 366)**	**(17 651)**
Tax liabilities	**-**	**64**

Overpaid taxes are disclosed under other receivables.

(20) Other liabilities

	2015 EUR	2014 EUR
Remuneration	1 521	2 653
Liabilities against employees	1 666	-
Calculated but not deducted value added tax	4 023	6 300
Other liabilities	242	448
	7 452	**9 401**

Notes to the Financial Statements

(21) Number of employees

	2015	2014
Average number of employees in the reporting year	1	1

(22) Personnel costs

	2015	2014
Type of costs	**EUR**	**EUR**
Remuneration	4 320	3 840
Compulsory state social security contributions	1 019	906
	5 339	**4 746**

In the reporting year, Chairman of the Board has not received additional remuneration for his work on the Board of the Company.

(23) Information on remuneration to sworn auditors

Administrative expenses include a fee paid to the commercial company of sworn auditors for the audit of the financial statements. During the reporting period, the Company did not receive any other services from the auditor.

(24) Information on contingent liabilities and pledged assets

The Company is a guarantor securing claims of Rietumu Banka AS, which arise from the overdraft agreement concluded as at 15 September 2010 between the Rietumu Banka AS and Mannix International L.P.

(25) Going concern

The financial result of the Company for the reporting year is a loss amounting to EUR 130 980. During the reporting period revenues have decreased by 60% comparing to the year 2014. During 2016, the Company has concluded more than 20 new cooperation agreements for telecommunication and SMS services. Operative financial result (unaudited) for four months of 2016 is a profit, and the Company's management budget foresees to complete financial year 2016 with a profit. The Company's cash flows in 2016 are positive, with the overdraft fully repaid in April 2016. The management of the Company is confident that the Company will continue its operations for foreseeable future, and concludes that there is no material uncertainty about the Company's ability to continue as a going concern.

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Independent Auditors' Report

To the shareholder of SIA Flames Group

Report on the Financial Statements

We have audited the accompanying financial statements of SIA Flames Group ("the Company"), which comprise the balance sheet as at 31 December 2015, and the profit and loss statement, statements of changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 20.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the *Annual Reports Law*, applicable in the Republic of Latvia, and for such internal controls as management determines are necessary to enable the preparation of these 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of these 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SIA Flames Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the *Annual Reports Law*, applicable in the Republic of Latvia.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on page 4, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the Management Report is consistent with the financial statements.

KPMG Baltics SIA
Licence No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
19 May 2016

Valda Užāne
Latvian certified auditor
Certificate No 4

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.