JOINT STOCK COMPANY VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2014

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ventspils nafta JSC

Report on the Financial Statements

We have audited the accompanying financial statements of Ventspils nafta JSC set out on pages 17 to 53 of the accompanying annual report, which comprise the statement of financial position as of 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditor's 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 whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ventspils nafta JSC as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2013 set out on pages 15 to 16 of the accompanying annual report for 2013 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2013.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
29 April 2014

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

CONTENTS

GENERAL INFORMATION

Name of the company	*Ventspils nafta*
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004
Legal address	Elizabetes street 1, LV-1010, Riga, Republic of Latvia
Subsidiaries of *JSC Ventspils nafta*	66% *LatRosTrans Ltd.* LRDS “Ilūkste”, Šēderes pagasts, Ilūkstes novads, LV-5474 51% *Ventspils nafta termināls Ltd.* Talsu street 75, Ventspils, LV-3602 49.94% *JSC Latvian Shipping Company* Elizabetes street 1, Riga, LV-1010
Financial year	1 January – 31 December 2013
Auditors	*PricewaterhouseCoopers Ltd.* Kr. Valdemāra iela 21 - 21, Riga Latvia, LV - 1010 Licence No. 5 Sworn auditor: Ilandra Lejiņa Latvian Certified Auditor Certificate No. 168

GENERAL INFORMATION (CONT'D)

About the Company

VN Group (*JSC Ventspils nafta* and its subsidiaries) is one of the largest groups of companies in Latvia. The core companies of the group are the crude oil and petroleum products terminal *Ventspils nafta termināls Ltd*, which is the largest in the Baltics; the largest Latvian-Russian joint venture in the Baltic States *LatRosTrans*, which provides transportation of petroleum products by the main diesel pipeline and which also owns the main pipeline for transport of crude oil; as well as *Latvian Shipping Company*, which owns fleet in the medium size and handy tanker segment.

Mission

The mission of JSC *Ventspils nafta*, the Group's parent company, is to manage investments in the Group's companies with a view to ensure development and maximise investment returns; to strengthen the position of the Group's companies in the global market; and to make maximum use of the unique resources of *Ventspils nafta* – the experience and professionalism of employees, well developed infrastructure, modern technology and advantageous geographic location – always with a view to increase the economic value of the VN Group.

Vision

The goal of *JSC Ventspils nafta*, the Group's parent company, is to increase the value of investments in its managed companies and to ensure maximum operating efficiency; to maintain open dialogue with all shareholders, the Supervisory Council, management and other interested parties; to ensure transparency of the parent company's operations and manage the company in line with best principles of good governance; to plan for any potential risks for the group of companies; and focus on having in place the best long term strategy for the Group.

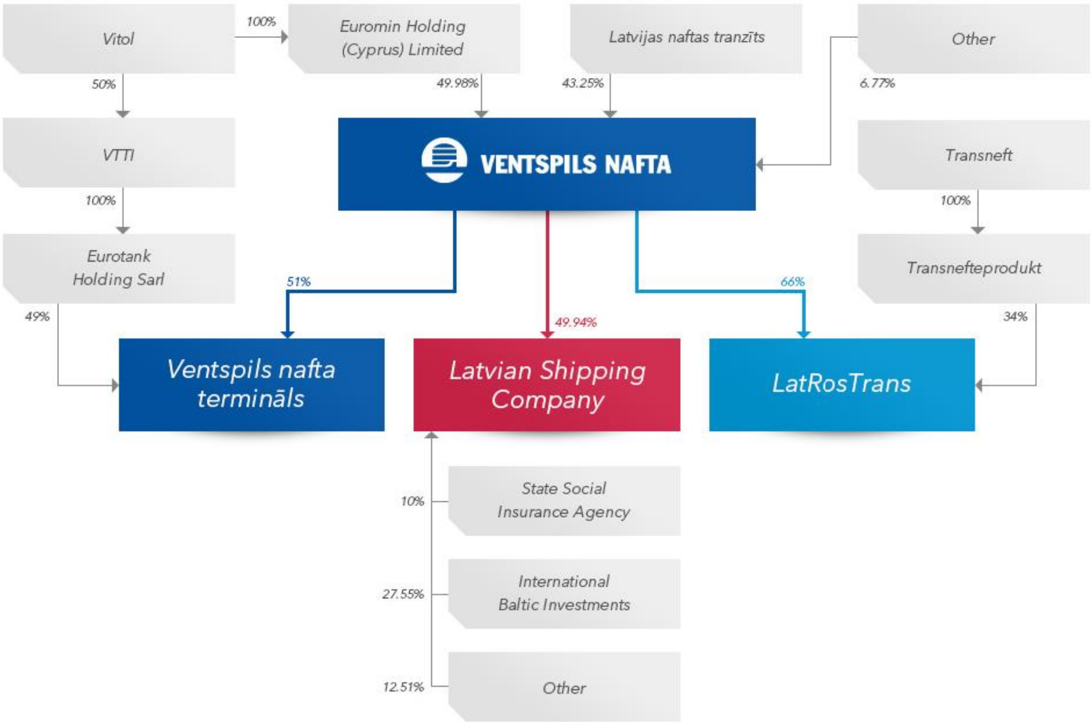
Strategy

The strategy of *JSC Ventspils nafta*, the Group's parent company, is to improve performance of Group companies by providing policy advice and international know-how on down-stream oil business, by organising joint public procurement tenders and coordinating business activities including corporate loans and communication policy. In this respect the intention of VN Group is to streamline Group's activities by introducing best business practices and good corporate governance standards to improve shareholders value.

GENERAL INFORMATION (CONT'D)

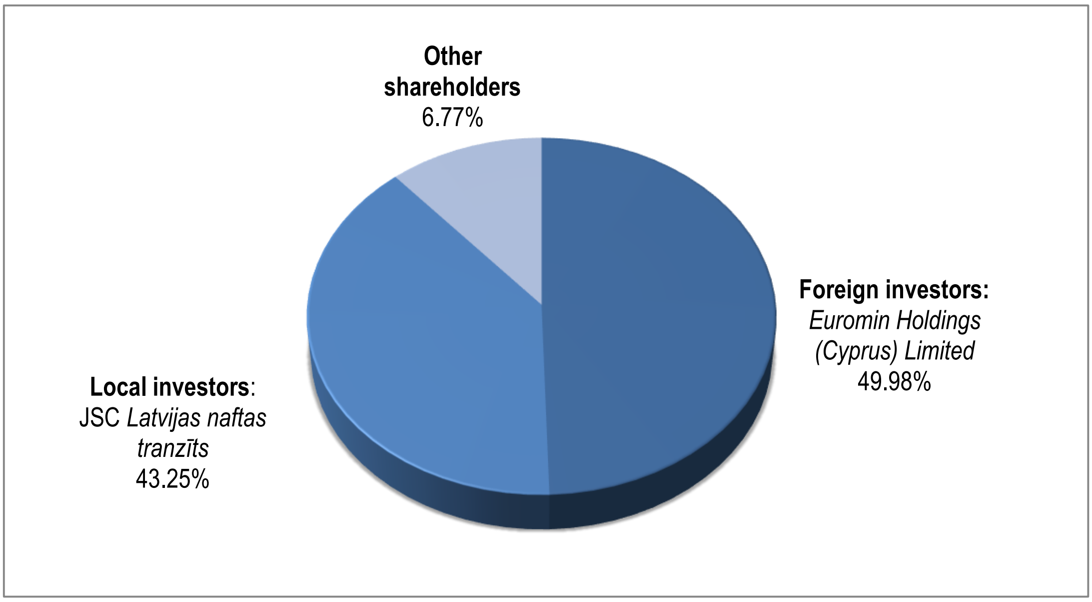
Corporate structure

Corporate structure of *JSC Ventspils nafta* as at 31 December 2013



Shareholders

Main shareholders (over 5%) of *JSC Ventspils nafta* as at 31 December 2013



GENERAL INFORMATION (CONT'D)

Information on shares

ISIN	LV0000100816
Ticker	VNF1R
Nominal value	1.00 LVL
Total number of securities	104 479 519
Number of listed securities	104 479 519
List	Baltic Main List, NASDAQ OMX Riga
Listing date	20 October 1998
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBGI, OMXBPI, OMXRGI

Trading information (1 January 2013 – 31 December 2013)

Open	1.070 LVL
Max	1.170 LVL
Min	0.910 LVL
Last	1.00 LVL
Average price	1.041 LVL
Change	-6.54 %
Deals	1 021
No of shares traded	305 600
Turnover	308 344.16 LVL
Capitalisation on 31/12/2013	104 479 519 LVL

Trading information (2009-2013)

Price	2009	2010	2011	2012	2013
Open, LVL	0.700	0.920	1.449	1.200	1.070
High, LVL	1.500	1.890	1.479	1.259	1.170
Low, LVL	0.590	0.910	1.013	1.000	0.910
Last, LVL	0.940	1.400	1.200	1.070	1.000
Traded volume	900 402	1 492 345	1 632 287	1 222 348	305 600
Turnover, million LVL	0.89	2.22	2.32	1.64	0.31
Capitalisation, million LVL	98.21	146.27	125.38	111.79	104.48

GENERAL INFORMATION (CONT'D)

Share price (LVL) (1 January 2013 – 31 December 2013)

Share price (LVL) (1 January 2009- 31 December 2013)

Share price in comparison with *NASDAQ OMX Riga* index (1 January 2013 – 31 December 2013)

Index/Equity	01.01.2013	31.12.2013	+/-%
OMX Riga	395.91	460.13	16.22 ↑
VNF1R	1.07 LVL	1.00 LVL	-6.54 ↓

Information source: *JSC NASDAQ OMX Riga* webpage www.nasdaqomxbaltic.com

SUPERVISORY COUNCIL

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Rubel Yilmaz
Members of the Council	Javed Ahmed Mikhail Dvorak Simon Boddy Christophe Theophanis Matsacos Rudolf Meroni David Guy Anstis Jānis Berķis Nauris Berķis Ivars Bērziņš

To the best of the Group's knowledge, no member of the Supervisory Council has more than 5% of direct ownership in related companies of Group's business partners, suppliers and clients.

The changes in the Council during the period from 1 January 2013 to 10 April 2014 were as follows:

Elected	Dismissed/ Resigned	Name	Position held
25/07/2012	26/06/2013	Olafs Berķis	Member of the Council
25/07/2012	17/10/2013	Oļegs Stepanovs	Member of the Council
25/07/2012	17/10/2013	Igors Skoks	Member of the Council
25/07/2012	17/10/2013	Genādijs Ševcovs	Member of the Council
20/01/2010	17/10/2013	Mark Morrell Ware	Member of the Council
17/10/2013	-	Simon Boddy	Member of the Council
17/10/2013	-	Rudolf Meroni	Member of the Council
17/10/2013	-	David Guy Anstis	Member of the Council
17/10/2013	-	Jānis Berķis	Member of the Council
17/10/2013	-	Nauris Berķis	Member of the Council

According to the Supervisory Council's resolutions of 30 August 2012 and of 25 November 2013 Vladimir Egger has been re-elected as the Chairman of the Supervisory Council and Mikhail Dvorak has been elected as deputy chairman of the Supervisory Council respectively. According to the Supervisory Council's resolution of 11 March 2014 Mikhail Dvorak was recalled from the position of the deputy chairman of the Supervisory Council and Rubel Yilmaz was elected as the deputy chairman of the Supervisory Council.

SUPERVISORY COUNCIL (CONT'D)

Professional experience of the members of the Supervisory Council

Vladimir Egger has worked as the Chairman of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Egger is also a member and chairman of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.
Vladimir Egger is the Chief Representative in the Vitol Group's company VNT SA in Moscow. He has almost 30 years of professional experience in the field of commodities trading. Prior to working for Vitol, he was the Managing Director of the company Lukoil Asia Pacific based in Singapore and Beijing, China. Professional education: Bachelor of Arts degree in Economics and a Master of Business Administration degree.
Mr. Vladimir Egger does not own any shares of JSC Ventspils nafta.

Mikhail Dvorak has worked as the Deputy Chairman of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. On March 11, 2014 he ceased to serve as the Deputy Chairman of the Supervisory Council. Dvorak also held positions in Ventspils nafta subsidiaries – he is the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company until March 26, 2014, and has been a member or the Supervisory Council of LatRosTrans Ltd until March 12, 2014.
Mikhail Dvorak is the Financial Controller of Vitol Group and Finance Director at Vitol Group's companies in the CIS countries, Georgia and the Baltic States. Professional education: he has graduated the Moscow State Linguistic University and the International Institute of Law and Economics in the specialty of finances and crediting.
Mr. Mikhail Dvorak does not own any shares of JSC Ventspils nafta.

Rubel Yilmaz is the Deputy Chairman of the Supervisory Council. He is a member of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Yilmaz is also holds positions in Ventspils nafta subsidiaries – he is the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company, and has been a member of the Supervisory Council of Ventspils nafta terminąls Ltd since March 1, 2010.
Rubel Yilmaz is the Chief Financial Director of VTTI (Vitol Tank Terminals International). Professional education: he has obtained a degree in economics in University of Groningen (Netherlands).
Mr. Rubel Yilmaz does not own any shares of JSC Ventspils nafta.

Simon Boddy is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years. Boddy is also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary.
Simon Boddy has worked in the oil business for more than 30 years. He has worked for the energy company Shell and then for BP. In 1989 he joined the Vitol Group and has held senior positions in trading, refinery supply and economics, and as the Chief Representative in Vitol's Moscow office from 2006 to 2008. He was appointed as a Board Member of Vitol Tank Terminals International and is also a qualified United Kingdom Barrister. He was the Chairman of the Management Board of JSC Ventspils Nafta in the time period from January 20, 2010 until September 1, 2013. Professional education: academic degree in Mathematics from the Oxford University, post-graduate diploma in Law from the College of Law of England and Wales in London.
Mr. Simon Boddy does not own any shares of JSC Ventspils nafta.

Javed Ahmed has worked as a member of the Supervisory Council of Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Ahmed was also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary.
Javed Ahmed is currently the Head of Acquisitions and Investments for Vitol Group, Board Member of the Group Vitol Tank Terminals International, and Board Member of the company Blue Knight Energy Partners. Professional education: Juris Doctor degree from Harvard University, a Master of Business Administration degree from Harvard University, and a Bachelor's degree in Economics and Mathematics from Yale University.
Mr. Javed Ahmed does not own any shares of JSC Ventspils nafta.

SUPERVISORY COUNCIL (CONT'D)

Professional experience of the members of the Supervisory Council (cont'd)

Christophe Theophanis Matsacos has worked as a member of the Supervisory Council of JSC Ventspils Nafta since July 17, 2010, and was re-elected for a period of 3 years on October 17, 2013. Matsakos was also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary. Christophe Matsacos joined the Finance Team of Vitol in 2008. He is posted in the Representative Office of Vitol in Moscow with responsibility for business development in Russia and the CIS countries. He has a banking background and joined Vitol from VTB Europe (London) (formerly Moscow Narodny Bank), where he was responsible for oil business development, in trade finance and structured trade finance, in Russia and CIS countries.
Mr. Christophe Theophanis Matsacos does not own any shares of JSC Ventspils nafta.

Rudolf Meroni is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.
Rudolf Meroni was also on the Supervisory Council of the JSC Ventspils nafta in the time period from July 7, 2010 until July 25, 2012.

David Guy Anstis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.
David Guy Anstis has worked on the Management Board of several stevedoring companies in Ventspils. Previously he worked for Moore Stephens LLP, Chartered Accountants, in London, where he was a partner in the International Business Group, focusing on clients in the maritime industry.
Mr. David Guy Anstis does not own any shares of JSC Ventspils nafta.

Jānis Berķis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.
Jānis Berķis is Deputy Chairman of the Supervisory Council of Noord Natie Ventspils Terminals Ltd since February 2012 and Deputy Chairman of the Supervisory Council of JSC Ventbunkers since February 2013. In June 2010 Janis Berķis became the member of the Supervisory Council of JSC L.V.K., and in March 2011 became the board member of N&J ratio Ltd. Professional education: bachelor's degree in management at the Ventspils University College, MBA at the "Turība" University.
Mr. Jānis Berķis does not own any shares of JSC Ventspils nafta.

Nauris Berķis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.
Nauris Berķis is the Chairman of the Supervisory Council of JSC Baltijas Ekspresis since March 2012 and the Chairman of the Supervisory Council of JSC Latvijas Naftas Tranzīts since May 2013. In June 2011 he became the board member of Privātfonds Ltd, whereas from March 2012 he became the board member of N&J Ltd. Professional education: bachelor's degree in management at the Ventspils University College.
Mr. Nauris Berķis does not own any shares of JSC Ventspils nafta.

Ivars Bērziņš has worked as a member of the Supervisory Council of Ventspils Nafta since July 25, 2012, and was re-elected for a period of 3 years on October 17, 2013.
He is a member of Supervisory Council of JSC Latvijas naftas tranzīts and authorised representative of Skonto nafta Ltd. Professional education: Master's degree in law.
Mr. Ivars Bērziņš does not own any shares of JSC Ventspils nafta.

MANAGEMENT BOARD

Chairman of the Board	Robert Kirkup
Members of the Board	Boris Bednov Aleksej Tarasov

The changes in the Board during the period from 1 January 2013 to 10 April 2014 were as follows:

Elected	Dismissed/ Resigned	Name	Position held
16/10/2009	01/09/2013	Simon Boddy	Member of the Board
01/09/2013	-	Robert Kirkup	Member of the Board

Starting with September 1, 2013 the Chairman of the Management Board of JSC Ventspils Nafta Simon Boddy who held the position since January 20, 2010 was replaced by Robert Kirkup.

No member of the Management Board has more than 5% of direct ownership in any of Group's business partners, suppliers and clients.

Professional experience of the members of the Management Board

Robert Kirkup is the Chairman of the JSC Ventspils nafta Management Board since 1 September 2013, elected for a period of 3 years. Kirkup also holds positions in Ventspils nafta subsidiaries – he is the Chairman of the Supervisory Council of LatRosTrans Ltd and the Chairman of the Management Board of JSC Latvian Shipping Company as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd.
He has worked in the oil and sugar business for more than 17 years. In 1996 he joined the Vitol Goup and has held several positions in trading. Since July 2006 he has been appointed as the Global Head of Sugar at Vitol S.A. In addition he was a member of the World Sugar Committee for the ICE No11 Raw Sugar Futures Contract and still is a member of the Council of the Sugar Association of London, where he is an Arbitrator. Professional education: BA Honours Degree in Business.
Mr. Robert Kirkup does not own any shares of JSC Ventspils nafta.

Boris Bednov has worked as a member of the Management Board of JSC Ventspils Nafta since April 28, 2010, and was re-elected for a period of 3 years starting from April 28, 2013.
He is an oil and transit industry professional. He began his career in the oil and transit business in 1982 as a Refinery Engineer. Since 1993 he has been working as Oil Trader. He has been the Head of the Lithuanian office of Vitol, based in Mazeikai, since 1996. Professional education: he has graduated the D. Mendeleyev University of Chemical Technology in Russia.
Mr. Boris Bednov does not own any shares of JSC Ventspils nafta.

Aleksej Tarasov has worked as a member of the Management Board of JSC Ventspils Nafta since January 6, 2011, and was re-elected for a period of 3 years on June 26, 2013.
He has worked for Mazeikiu Nafta since 1986. In 1997, he joined the Vitol Lithuania office and since then has continuously worked there as Technical Specialist. Main fields of his expertise include logistics, transportation, storage, and product quality preservation. Professional education: degree in Engineering from the St-Petersburg VVMURE Academy (currently – the Naval Institute of Marine Radioelectronics, VVMURE named after A.S. Popov).
Mr. Aleksej Tarasov does not own any shares of JSC Ventspils nafta.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The following statement, which should be read in conjunction with the independent auditors' report set out on pages 2 to 3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate financial statements of *JSC Ventspils nafta (*the "Company").

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of the Company as of 31 December 2013, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as adopted by EU.

In preparing the separate financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial statements; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

Riga, 10 April 2014

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board

Address: Elizabetes iela 1, LV-1010,
Riga, Latvia
Unified registration number: 50003003091

MANAGEMENT REPORT

Dear shareholders,

2013 was a year of change and consolidation. The focus within the JSC Ventspils nafta and its subsidiaries (hereafter – Group) has been on restructuring and streamlining the business in the face of adverse market developments, most notably increased competition from Russian Federation ports which are increasing their share of the country's export flows with the intention of implementing the Russian Governments strategic goals of having the domestic port infrastructure capacity to handle all the country's oil exports by 2030.

These changes resulted in a fall in revenues of 13.6% to 117.2 million LVL (135.7 million LVL) and a one-off impairment of 44.5 million LVL, which generated a net loss of 43.02 million LVL for 2013 (2012: a net profit in the amount of 3.87 million LVL).

On the other hand, gross profit increased 7.8% to 29.1 million LVL and a focus on costs caused administrative expenses to fall 13.5% to 7.7 million LVL (2012: 8.9 million LVL). The Group continues to look for efficiencies, for example through the consolidation of office space.

Further detail on the performance of the companies which comprise the Group can be found below.

Ventspils Nafta (VN)

VN made a loss of 19.78 million LVL in 2013, largely as a result of a 33.26 million LVL impairment recognised in respect of VN's investment in LatRosTrans Ltd and the reassessment of the recoverable amount from LatRosTrans, following a write down.

VN's dividend income from its investments in Ventspils nafta terminals Ltd and LatRosTrans Ltd totalled 13.33 million LVL in 2013, a positive result compared with the previous year as no dividend was declared in 2012. Other income, from consultancy services provided to other companies within the Group, halved to 127 thousand LVL, whilst interest income fell to 834 thousand LVL (2012: 978 thousand LVL), due to lower interest rates.

Ventspils nafta termināls

Ventspils nafta termināls' income fell by 9.2 million LVL to 51.23 million LVL (from 60.43 million LVL), driven by a 20% fall in volumes to 9.6 million tonnes of petroleum and oil products. Net profit was 8.7 million LVL (10.4 million LVL). Oil and petroleum products are transported via both: the pipeline (56.2% of the total volumes reloaded) and rail or sea (43.8% of the total volumes reloaded).

LatRosTrans

The volume of petroleum products transported fell by 13.3% to 5.47 million tonnes (2012: 6.31 million tonnes), 2013 revenues were 10.75 million LVL, down 11.6% on 2012 (2012: 12.16 million LVL), and gross profits fell by 1.2 million LVL to 0.8 million LVL (2012: 2.0 million LVL).

The fall in revenues reflects both the end of a long term petroleum product transportation agreement and a strategic shift by Russia to reduce the export of product through the Baltic states. Consequently, in 2013 LatRosTrans recognised an impairment of 44.5 million LVL against non-current assets, in line with IFRS reporting standards.

The impairment impacted net result which was a net loss of 41.79 million LVL, compared with a net profit of 11.82 million LVL in 2012.

Latvian Shipping Company (LSC)

2013 revenues fell by 11.44 million USD to 104.21 million USD, but gross profit rose by 33.7% to 31.74 million USD, driven by combination of better fright rates and decrease in operating costs. Finance costs fell by 17.1% to 15.53 million USD (2012: 18.74 million USD).

An impairment on the fleet of 22.92 million USD resulted in a net loss of 18.1 million USD, a significant improvement on the previous year's loss of 34.6 million USD. The sale of three tankers (out of 20) during 2013 has improved the cash position of LSC and reduced debt. This, combined with the restructuring of the M/t Riga sale and leaseback agreement negotiated by previous management, has improved LSC's financial performance.

MANAGEMENT REPORT (CONT'D)

Environmental protection and employee engagement

VN Group has embedded its sustainability principles within its business strategy. It operates in a responsible manner providing safe and efficient services. VN Group's aim is to decrease its impact on the environment in an economically responsible way. In 2013 VN Group continued to develop environmental protection and quality policies with aim to successfully ensure preservation and restoration of the quality of the environment, sustainable use of natural resources and minimisation of accident risks at the VN Group's environmentally sensitive facilities.

SIA Ventspils nafta termināls has received ISO Certification meeting the requirements set by the environmental management standard ISO 14001:2004 and the quality management standard ISO 9001:2008 (valid until 19.12.2015.). It also managed to obtain OHSAS 18001 Occupational Health and Safety Certification in 2012 which was successfully supervised in 2013 by Bureau Veritas Certification (valid until 21.10.2015.). LSC has developed an effective safety and quality management system which is maintained in accordance with the requirements of International Safety Management (ISM) Code.

Experience and professionalism of employees plays integral part VN Group business. The Group continuously improves employee individual skills and promotes development through various educational initiatives, educating about health, safety and environmental issues in order to build personal responsibility and personal involvement improving companies performance in a sustainable way.

Continued commitment to improving investor relations

The VN Group remains committed to the continuous improvement of its investor relations and we are pleased and proud to receive further recognition from Nasdaq OMX. We shall continue to provide our investors and stakeholders with access to Group Management through meetings and webinars and we welcome their engagement.

The challenges for 2014 will be to identify and pursue further efficiencies, whilst seeking opportunities to leverage the expertise and infrastructure of the Group. We would like to thank our employees and our stakeholders for the hard work and commitment and we move forward to the next phase in the Company's development.

Financial Instruments and Financial risk management related to the operations of the JSC Ventspils nafta are disclosed in Notes 23 and 24 to the financial statement.

The annual report for 2013 and Corporate Governance Report for 2013 have been submitted to the NASADQ OMX Riga as well as published on JSC Ventspils nafta website www.vnafta.lv.

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, except those disclosed in Note 25 of this report.

Suggestions as to covering the Company's losses

The Company's losses in the reporting year will be covered from the retained earnings of previous years.

Riga, 10 April 2014

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 LVL	2012 LVL
Revenue	3	127 031	254 959
Gross profit		**127 031**	**254 959**
General and administrative expenses	4	(805 407)	(906 649)
Other operating expenses, net	5	(2 195)	(34 297)
Operating loss		**(680 571)**	**(685 987)**
Income from investment in subsidiaries	6	13 331 888	-
Impairment of investment in subsidiaries	8	(33 259 497)	-
Finance income, net	9	822 928	964 378
(Loss) / profit before income tax		**(19 785 252)**	**278 391**
Income tax expense	10	832	(20 212)
(Loss) / profit for the year		**(19 784 420)**	**258 179**
Other comprehensive income / (expenses)		-	-
Total comprehensive (loss) / income for the year		**(19 784 420)**	**258 179**

The accompanying notes on pages 22 to 53 form an integral part of these Financial Statements.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board

10 April 2014

Address: Elizabetes iela 1, LV-1010,
Riga, Latvia
Unified registration number: 50003003091

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

ASSETS

	Note	31/12/2013	31/12/2012	01/01/2012
		LVL	LVL	LVL
NON-CURRENT ASSETS				
Property, plant and equipment				
Property, plant and equipment	11	54 050	58 782	799 370
TOTAL		**54 050**	**58 782**	**799 370**
Other non-current assets				
Investments in subsidiaries	12	120 872 752	154 132 249	154 132 249
Loans to related parties	13a	64 231 994	63 042 212	48 813 463
Other financial assets	13c	21 258 667	21 258 667	21 258 667
TOTAL		**206 363 413**	**238 433 128**	**224 204 379**
TOTAL NON-CURRENT ASSETS		**206 417 463**	**238 491 910**	**225 003 749**
CURRENT ASSETS				
Receivables				
Short term deposits	14	15 813 348	4 701 694	7 305 835
Loan to related parties		846 304	-	-
Receivables from related parties	13b	50 434	33 454	97 450
Other assets	15	163 848	146 261	186 881
TOTAL		**16 873 934**	**4 881 409**	**7 590 166**
Cash and cash equivalents	16	**360 817**	**76 090**	**83 821**
TOTAL CURRENT ASSETS		**17 234 751**	**4 957 499**	**7 673 987**
TOTAL ASSETS		**223 652 214**	**243 449 409**	**232 677 736**

The accompanying notes on pages 22 to 53 form an integral part of these Financial Statements.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board

10 April 2014

Address: Elizabetes iela 1, LV-1010,
Riga, Latvia
Unified registration number: 50003003091

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONT'D)

EQUITY AND LIABILITIES

	Note	31/12/2013 LVL	31/12/2012 LVL	01/01/2012 LVL
EQUITY				
Share capital	17	104 479 519	104 479 519	104 479 519
Share premium		42 342 578	42 342 578	42 342 578
Retained earnings		66 112 829	85 897 249	85 639 070
TOTAL EQUITY		**212 934 926**	**232 719 346**	**232 461 167**
LIABILITIES				
Non-current liabilities				
Borrowings from related companies	18a	10 582 769	10 588 617	-
Deferred income tax liabilities	10	2 432	3 264	9 329
TOTAL		**10 585 201**	**10 591 881**	**9 329**
Current liabilities				
Prepayments		-	-	11 713
Payables to related companies	18b	6 083	2 229	4 002
Taxes payable	19	9 534	17 094	8 065
Payables and accruals	20	116 470	118 859	183 460
TOTAL		**132 087**	**138 182**	**207 240**
TOTAL LIABILITIES		**10 717 288**	**10 730 063**	**216 569**
TOTAL EQUITY AND LIABILITIES		**223 652 214**	**243 449 409**	**232 677 736**

The accompanying notes on pages 22 to 53 form an integral part of these Financial Statements.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board

10 April 2014

Address: Elizabetes iela 1, LV-1010,
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SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 LVL	2012 LVL
Cash flow from operating activities			
(Loss) / profit before tax		(19 785 252)	278 391
Non-cash adjustments to reconcile (loss)/ profit before tax to net cash flows:			
Interest income	9	(1 155 216)	(1 190 673)
Depreciation	11	9 472	18 966
Dividends	6	(13 331 888)	-
Impairment of investment in subsidiaries	8	33 259 497	-
Interest expense	9	320 989	212 853
Loss on disposal of property, plant and equipment	5	-	20 189
		(682 398)	***(660 274)***
(Increase) / decrease in receivables		(13 022)	85 046
Decrease in current liabilities		(6 094)	(95 335)
Net cash flows used in operating activities		***(701 514)***	***(670 563)***
Corporate income tax received / (paid)	19	59 177	(100 408)
Net cash used in operating activities		**(642 337)**	**(770 971)**
Investing activities			
Purchase of property, plant and equipment	11	(4 740)	(2 045)
Interest received		588 057	976 974
Loans issued		(1 876 487)	(14 372 769)
Dividends received		13 331 888	-
Proceeds from disposal of property, plant and equipment		-	702 804
Decrease / (increase) in short-term deposits		(11 111 654)	2 604 141
Net cash flow generated/ (used in) from investing activities		**927 064**	**(10 090 895)**
Financing activities			
Loans received		-	10 854 135
Net cash generated from financing activities		**-**	**10 854 135**
Net increase / (decrease) in cash and cash equivalents		**284 727**	**(7 731)**
Cash and cash equivalents at the beginning of the reporting year		**76 090**	**83 821**
Cash and cash equivalents at the end of the reporting year	16	**360 817**	**76 090**

The accompanying notes on pages 22 to 53 form an integral part of these Financial Statements.

Address: Elizabetes iela 1, LV-1010,
Riga, Latvia
Unified registration number: 50003003091

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Retained earnings	**Total**
	LVL	LVL	LVL	**LVL**
Balance as at 1 January 2012	**104 479 519**	**42 342 578**	**85 639 070**	**232 461 167**
Total comprehensive income for the reporting year	-	-	258 179	258 179
Balance as at 31 December 2012	**104 479 519**	**42 342 578**	**85 897 249**	**232 719 346**
Total comprehensive loss for the reporting year	-	-	(19 784 420)	(19 784 420)
Balance as at 31 December 2013	**104 479 519**	**42 342 578**	**66 112 829**	**212 934 926**

The accompanying notes on pages 22 to 53 form an integral part of these Financial Statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Corporate information

JSC Ventspils nafta (hereinafter– the Company) is a public joint stock company incorporated under the laws of the Republic of Latvia. The Company was first registered in the Enterprise Register on 9 May 1991, and then re-registered in the Commercial Register on 5 August 2004 (under the number 50003003091). Since 20 October 1998 *JSC Ventspils nafta* is listed on the *NASDAQ OMX Riga* main list. Legal address of the Company is Elizabetes street 1, LV-1010, Riga, the Republic of Latvia.

The Company's main business types (NACE 2nd wording) are operation of head offices (70.1), operation of holding companies (64.2) and other business types. *JSC Ventspils nafta* is a holding company mainly engaged in management of investments in companies of the *JSC Ventspils nafta* Group.

In 2013, the main activities carried out by the subsidiaries of *JSC Ventspils nafta* were as follows:

- Transporting oil products via pipelines (*LatRosTrans Ltd*),
- Storage and reloading of crude oil and oil products from/ to rail tank cars and vessels and also reloading from pipeline of oil products (*Ventspils nafta termināls Ltd*),
- Marine shipping business(*JSC Latvian Shipping Company)*.

The following table summarizes ownership of the Company in subsidiaries:

Ownership, %	31/12/2013	31/12/2012	Registration number	Legal address
Subsidiaries				
LatRosTrans Ltd	66.00	66.00	40003190740	LRDS "Ilūkste", Šederes pagasts, Ilūkstes novads, Latvia, LV-5474
Ventspils nafta termināls Ltd	51.00	51.00	41203019923	Talsu iela 75, Ventspils, Latvia, LV-3602
JSC Latvian Shipping Company	49.94	49.94	40003021108	Elizabetes iela 1, Riga, Latvia, LV-1010

The separate financial statements of the Company were authorized for issue in accordance with resolution of the Management Board on 10 April 2014.

The Shareholders of the Company has the right to dispute the accuracy of the consolidated financial statements line items and to postpne the approval of the financial statements in the sharholder's meeting.

2. Significant accounting policies

Basis of preparation

The annual report of the Company represents only the financial results of *JSC Ventspils nafta* as a holding company stand alone. The financial results of the *JSC Ventspils nafta* and its subsidiaries (the "Group") are represented in the consolidated financial statements of the Group.

2. Significant accounting policies (cont'd)

Statement of compliance

The separate financial statements represent the first annual financial statements of the Company standing alone prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by European Union (EU). The Company adopted IFRS in accordance with IFRS 1, *First – time Adoption of International Financial Reporting Standards.* The date of transition to IFRS is January 1, 2012.

In accordance with IFRS, the Company has:

- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS standards as of December 31, 2013, as required; and
- Applied certain optional exemptions and certain mandatory exceptions as applicable for the first time IFRS adopters.

The separate financial statements have been prepared on a historical cost basis. The reporting period for the annual report is from 1 January 2013 till 31 December 2013 and separate financial statements are prepared in Latvian lats (LVL).

First time adoption of IFRS

These separate financial statements, for the year ended 31 December 2013, are the first the Company standing alone has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Company prepared its separate financial statements in accordance with generally accepted accounting principles in Latvia (Latvian GAAP).

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in *Statement of compliance* above. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2012, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Latvian GAAP financial statements, including the statements of financial position as at 1 January 2012 and 31 December 2012 and the statement of comprehensive income for the year ended 31 December 2012.

The Company has not applied exemptions from the retrospective application of certain requirements under IFRS as allowed to first-time adopters under IFRS 1.

Estimates

The estimates at 1 January 2012 and at 31 December, 2012 are consistent with those made for the same dates in accordance with Latvian GAAP. The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2012, the date of transition to IFRS and as of 31 December, 2012.

Cash flow statement

There are no differences between the previous Latvianl GAAP accounting policies and current IFRS policies applied by the Company in respect of the statement of cash flows.

2. Significant accounting policies (cont'd)

First time adoption of IFRS *(cont'd)*

Under Latvian GAAP, the Company accumulated retained earnings in other reserves. Upon transition to IFRS, these amounts were reclassified to retained earnings. Other than that, transition to IFRS resulted only in changed presentation/classification of line items in the statement of financial position, as shown in tables below:

Company reconciliation of Statement of financial position as at 1 January 2012 (date of transition to IFRS)

ASSETS	Latvian GAAP 01/01/2012	Adjustment	IFRS 01/01/2012
	LVL	LVL	LVL
NON-CURRENT ASSETS			
Property, plant and equipment			
Property, plant and equipment	799 370	-	799 370
TOTAL	**799 370**	**-**	**799 370**
Investments			
Investments in subsidiaries	119 186 894	34 945 355	154 132 249
Investments in associates	34 945 355	(34 945 355)	-
Loan note to related parties	48 813 463	(48 813 463)	-
Loans to related parties	-	48 813 463	48 813 463
Other financial assets	21 258 667	-	21 258 667
TOTAL	**224 204 379**	**-**	**224 204 379**
TOTAL NON-CURRENT ASSETS	**225 003 749**	**-**	**225 003 749**
CURRENT ASSETS			
Receivables			
Short term deposits	7 305 835	-	7 305 835
Receivables from related companies	97 450	-	97 450
Other receivables	16 755	(16 755)	-
Other assets	170 126	16 755	186 881
TOTAL	**7 590 166**	**-**	**7 590 166**
Cash and cash equivalents	**83 821**	**-**	**83 821**
TOTAL CURRENT ASSETS	**7 673 987**	**-**	**7 673 987**
TOTAL ASSETS	**232 677 736**	**-**	**232 677 736**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

***First time adoption of IFRS** (cont'd)*

Company reconciliation of Statement of financial position as at 1 January 2012 (date of transition to IFRS) (cont'd)

EQUITY AND LIABILITIES

	Latvian GAAP 01/01/2012	Adjustment	IFRS 01/01/2012
	LVL	LVL	LVL
EQUITY			
Share capital	104 479 519	-	104 479 519
Share premium	42 342 578	-	42 342 578
Other reserves	85 277 399	(85 277 399)	-
Retained earnings	-	85 639 070	85 639 070
Profit for the year	361 671	(361 671)	-
TOTAL EQUITY	**232 461 167**	**-**	**232 461 167**
LIABILITIES			
Non-current liabilities			
Deferred corporate income tax	9 329	-	9 329
TOTAL	**9 329**	**-**	**9 329**
Current liabilities			
Prepayments received	11 713	-	11 713
Trade payables	46 313	(46 313)	-
Payables to related companies	4 002	-	4 002
Taxes payable	8 065	-	8 065
Accrued liabilities	137 147	(137 147)	-
Payables and accruals	-	183 460	183 460
TOTAL	**207 240**	**-**	**207 240**
TOTAL LIABILITIES	**216 569**	**-**	**216 569**
TOTAL EQUITY AND LIABILITIES	**232 677 736**	**-**	**232 677 736**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

***First time adoption of IFRS** (cont'd)*

Company reconciliation of Statement of financial position as at 31 December 2012

ASSETS

	Latvian GAAP 31/12/2012	Adjustment	IFRS 31/12/2012
	LVL	LVL	LVL
NON-CURRENT ASSETS			
Property, plant and equipment			
Property, plant and equipment	58 782	-	58 782
TOTAL	**58 782**	**-**	**58 782**
Investments			
Investments in subsidiaries	119 186 894	34 945 355	154 132 249
Investments in associates	34 945 355	(34 945 355)	-
Loan note to related parties	63 042 212	(63 042 212)	-
Loans to related parties	-	63 042 212	63 042 212
Other financial assets	21 258 667	-	21 258 667
TOTAL	**238 433 128**	**-**	**238 433 128**
TOTAL NON-CURRENT ASSETS	**238 491 910**	**-**	**238 491 910**
CURRENT ASSETS			
Receivables			
Short term deposits	4 701 694	-	4 701 694
Receivables from related companies	33 454	-	33 454
Other receivables	91 334	(91 334)	-
Other assets	54 927	91 334	146 261
TOTAL	**4 881 409**	**-**	**4 881 409**
Cash and cash equivalents	**76 090**	**-**	**76 090**
TOTAL CURRENT ASSETS	**4 957 499**	**-**	**4 957 499**
TOTAL ASSETS	**243 449 409**	**-**	**243 449 409**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

First time adoption of IFRS *(cont'd)*

Company reconciliation of Statement of financial position as at 31 December 2012 (cont'd)

EQUITY AND LIABILITIES

	Latvian GAAP 31/12/2012	Adjustment	IFRS 31/12/2012
	LVL	LVL	LVL
EQUITY			
Share capital	104 479 519	-	104 479 519
Share premium	42 342 578	-	42 342 578
Other reserves	85 639 070	(85 639 070)	-
Retained earnings	-	85 897 249	85 897 249
Profit for the year	258 179	(258 179)	-
TOTAL EQUITY	**232 719 346**	**-**	**232 719 346**
LIABILITIES			
Non-current liabilities			
Payables to related companies	10 588 617	(10 588 617)	-
Borrowings from related parties	-	10 588 617	10 588 617
Deferred corporate income tax	3 264	-	3 264
TOTAL	**10 591 881**	**-**	**10 591 881**
Current liabilities			
Prepayments received	-	-	-
Trade payables	8 661	(8 661)	-
Payables to related companies	2 229	-	2 229
Taxes payable	17 094	-	17 094
Accrued liabilities	110 198	(110 198)	-
Payables and accruals	-	118 859	118 859
TOTAL	**138 182**	**-**	**138 182**
TOTAL LIABILITIES	**10 730 063**	**-**	**10 730 063**
TOTAL EQUITY AND LIABILITIES	**243 449 409**	**-**	**243 449 409**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

First time adoption of IFRS *(cont'd)*

Statement of comprehensive income for the year ended 31 December 2012

	Latvian GAAP 2012 LVL	Adjustment LVL	IFRS 2012 LVL
Net sales	254 959	(254 959)	-
Revenue	-	254 959	254 959
Gross profit	**254 959**		**254 959**
General and administrative expenses	(906 649)		(906 649)
Other operating expenses, net	(34 297)		(34 297)
Operating loss	**(685 987)**		**(685 987)**
Finance income, net	964 378		964 378
Profit before income tax	**278 391**		**278 391**
Corporate income tax	(20 212)	20 212	-
Income tax expense	-	(20 212)	(20 212)
Profit for the year	**258 179**		**258 179**
Other comprehensive income / (expenses)	-		-
Total comprehensive income for the year	**258 179**		**258 179**

2. Significant accounting policies (cont'd)

Changes in accounting standards

The accounting policies applied are consistent with those of the previous financial year.

The following new and amended IFRS and interpretations became effective in 2013 and were consistently applied from period starting 1 January 2012, but did not have significant impact on these consolidated financial statements, except additional disclosures:

- **IFRS 13 "Fair value measurement"** (effective for annual periods beginning on or after 1 January 2013);
- **Annual improvements 2011** (effective for annual periods beginning on or after 1 January 2013);
- **Amendment to IFRS 1, "First time adoption'', on government loans** (effective for annual periods beginning on or after 1 January 2013);
- **Amendment to IFRS 7, "Financial instruments: Disclosures", on offsetting financial assets and financial liabilities** (effective for annual periods beginning on or after 1 January 2013);
- **Amendment to IAS 12, "Income taxes" on deferred tax** (effective for annual periods beginning on or after 1 January 2012, endorsed by EU for annual periods beginning on or after 1 January 2013);
- **Amendment to IAS 19, "Employee benefits"** (effective for annual periods beginning on or after 1 January 2013);
- **Amendment to IAS 1 "Presentation of Financial Statements"** (effective for annual periods beginning on or after 1 July 2013);
- **IFRIC 20, "Stripping costs in the production phase of a surface mine''** (effective for annual periods beginning on or after 1 January 2013).

Standards issued but not yet effective

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2014.

- **Amendments to IAS 32 "Financial instruments: Presentation", on offsetting financial assets and financial liabilities** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 11, "Joint arrangements"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014).
- **IFRS 10 "Consolidated financial statements"** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10, 11 and 12 on transition guidance** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 12 "Disclosures of interests in other entities" and IAS 27 "Separate financial statements"** (effective for annual periods beginning on or after 1 January 2014).
- **IFRS 9 "Financial Instruments Classification and Measurement"** (effective date to be determined).
- **Amendments to IAS 28 "Associates and joint ventures"** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IAS 36 "Impairment of assets"** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IAS 39 "Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting** (effective for annual periods beginning on or after 1 January 2014).
- **Improvements to IFRS** (issued in 2012; most of the amendments are effective for annual periods beginning on or after 1 July 2014, not yet endorsed by the EU):
    - IFRS 2 "Share-based payment";
    - IFRS 3 ''Business Combinations'';
    - IFRS 8 ''Operating segments'';
    - IFRS 13 ''Fair value measurement'';
    - IAS 16 'Property, plant and equipment'' and IAS 38 ''Intangible assets'';
    - Consequential amendments to IFRS 9 ''Financial instruments'', IAS 37 ''Provisions, contingent liabilities and contingent assets'';
    - IAS 39 ''Financial instruments – Recognition and measurement''.

2. Significant accounting policies (cont'd)

Standards issued but not yet effective *(cont'd)*

- **Improvements to IFRS** (issued in 2013; most of the amendments are effective for annual periods beginning on or after 1 July 2014, not yet endorsed by the EU):
    - IFRS 1 ''First time adoption'';
    - IFRS 3 ''Business combinations'';
    - IFRS 13 ''Fair value measurement'';
    - IAS 40 ''Investment property''.
- **IFRIC 21 ''Levies''** (effective for annual periods beginning on or after 1 January 2014).

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Reporting currency and units of measurement

The Company's financial statements are presented in Latvian Lat, which is also the Company's functional currency.

The accompanying financial statements are presented in lats, unless otherwise stated. Till 31 December 2013 Lat (LVL) was the monetary unit of the Republic of Latvia

Foreign currency transactions

The Company maintains its accounts in Latvian Lats. All transactions denominated in foreign currencies are converted to Lats at the exchange rate set by the Bank of Latvia prevailing on the day on which the transactions took place. Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

	31/12/2013	**31/12/2012**
USD	0.515000	0.531000
EUR	0.702804	0.702804

Property, plant and equipment

Fixed assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

The cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The following depreciation rates were established and applied by management:

	% per annum
Buildings	*1.25*
Machinery and equipment	*10 – 33.33*
Other property, plant and equipment	*10 - 50*

Depreciation is calculated starting with the following month after the fixed asset is put into operation or engaged in commercial activity. Significant parts of fixed assets, which requires regular replacement, are recognized as seperate fixed assets, for which useful life is determined individually; also depreciation of these fixed assets are calculated individually.

When fixed assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Where the carrying amount of fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the fair value less costs of disposal and the value in use of the related fixed asset.

2. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. Capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the statement of comprehensive income.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the statement of comprehensive income during the period in which they are incurred.

Investments in subsidaries

Investments in subsidiary undertakings (such entities in which the Company has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations) are stated at cost. Investments in subsidiaries are valued at their initial value less impairment losses. Where events or changes in circumstances indicate that the carrying amount of investments in subsidiaries may not be recoverable, the respective investments are tested for impairment. Recoverable value of investment is determined on the basis of cash flow forecasts based on budgets and business plans prepared by the management of companies.

The Company recognises income from its investments in subsidiary only to the extent that the Company receives distributions from accumulated profits of the subsidiary or arising after the date of acquisition. Any distributions received out of pre-acquisition profits are treated as a recovery of the cost of investment.

Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets of the Company have been classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Regular purchases and sales of financial assets are recognised on the trade-date.

The Company's financial assets include cash and short-term deposits, receivables from related parties and other receivables, and loans**.**

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income for cash and cash equivalents and in other operating income for other loans and receivables. The losses arising from impairment are recognised in the statement of comprehensive income in "Impairment of investment in subsidiaries".

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Significant accounting policies (cont'd)

Financial instruments - initial recognition and subsequent measurement (cont'd)

ii) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of a financial liability not at fair value through profit or loss directly attributable transaction costs.

The Company's financial liabilities include payables to related parties, payables and accruals and loan from related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. Significant accounting policies (cont'd)

Cash and cash equivalents

Cash comprises cash at bank and short-term deposits with an original maturity of 90 days or less.

Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenue from rendering of services is recognized in the period when the services are provided by reference to the stage of completion of the transaction.

Interest income

For all financial instruments measured at amortised cost interest income 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.

Dividends

Revenue is recognized when the Company's right to receive dividend payment is established.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies (cont'd)

***Taxes** (cont'd)*

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates the deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the statement of financial postion 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.

Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and paid vacation benefits are included in General and administrative expenses and administrative expenses on an accrual basis.

The Company pays social security contributions to state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. In accordance with the Rules of the Cabinet of Ministers of Latvia Republic 75.80% (2012: 76.20%) of the social insurance contributions are used to fund the state defined contribution pension system. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are accrued in the year in which the associated services are rendered by the employees of the Company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

3. Revenue

	2013 LVL	2012 LVL
Management services	127 031	198 281
Revenue from lease of premises	-	56 678
TOTAL:	**127 031**	**254 959**

The costs for provided management services mainly include salaries for work, statutory social insurance contributions and professional charges and legal costs. These costs are included in General and administrative expenses (see Note 4).

4. General and administrative expenses

	2013 LVL	2012 LVL
Salaries (see also Note 7)	428 137	390 500
Professional charges and legal costs	127 090	236 088
Statutory social insurance contributions (see also Note 7)	102 837	94 299
Bank charges	22 211	22 119
Lease of premises	21 583	21 227
Audit fees	13 705	11 596
Depreciation	9 472	18 966
Remuneration of the Audit Committee	4 200	12 487
Other expense	76 172	99 367
TOTAL:	**805 407**	**906 649**

5. Other operating expense, net

	2013 LVL	2012 LVL
Loss on disposal of property, plant and equipment	-	(20 189)
Sponsorship	(5 000)	(2 065)
Other income	5 434	-
Other expense	(2 629)	(12 043)
TOTAL:	**(2 195)**	**(34 297)**

6. Income from investment in subsidiaries

	2013 LVL	2012 LVL
Dividends received	13 331 888	-
TOTAL:	**13 331 888**	**-**

7. Personnel expense

	2013	2012
Average number of employees during the reporting year	11	12

Salaries and statutory social insurance contributions

	2013 LVL	2012 LVL
Salaries	372 242	342 500
Statutory social insurance contributions	89 372	82 736
Management and Board Members		
Salaries	55 895	48 000
Statutory social insurance contributions	13 465	11 563
TOTAL:	**530 974**	**484 799**

In accordance with resolution adopted by shareholders of *JSC Ventspils nafta*, the remuneration fund for Supervisory Council members for fulfilment of duties as the Company's Supervisory Council members was fixed in the amount of zero lats in 2013 (in 2012: LVL 0).

The total personnel expense is included in the income statement as follows:

	2013 LVL	2012 LVL
General and administrative expense	530 974	484 799
TOTAL:	**530 974**	**484 799**

8. Impairment of the investment in subsidiaries

The Company's non-current investments in the subsidiaries are tested for impairment on an annual basis. The total net carrying value of the Company's non-current investments in its subsidiaries tested for impairment is LVL 79 493 700 (31 December 2012: LVL 79 493 700). In 2013 impairment in the amount of LVL 33 259 497 was recognized (2012: LVL nil). Impairment was recognised with respect to the Company's 66% shareholding in *LatRosTrans Ltd*. The recoverable amount of LVL 46 493 303 of investment was calculated assuming that *LatRosTrans Ltd* will continue as going concern, was based on calculation of recoverable amount of *LatRosTrans Ltd* non-current assets as described below, and considering the net estimates of the free assets and liabilities.

For impairment test purposes *LatRosTrans Ltd* business including the non-current assets is considered as two separate cash generating units (CGU), for which cash inflows are largely independent. CGU 1 represents land use rights and property, plant and equipment related to oil product pipeline. CGU 2 represents land use rights and property, plant and equipment related to crude oil pipeline.

The recoverable amount of CGU 1 of LVL 8 083 thousand was determined based on the value in use calculation using discounted cash flow projections approved by the management and covering 5 years considering the required investments.

8. Impairment of the investment in subsidiaries (cont'd)

The following describes the major key assumption on which the management of *LatRosTrans Ltd* has based its cash flow projections in relation to the cash flow from the main operations:

- Oil product throughput in 2014 is planned in the amount of 5 300 thousand tons, further decreasing to 4 400 thousand tons from 2015 onwards;
- The weighted average cost of capital rate applied to the cash flow projections is 6.8%;
- The inflation rate used is 1.5%;

LatRosTrans Ltd has decided to sell part of CGU 2 assets – the remaining technological oil and therefore the recoverable amount of CGU 2 is determined based on the fair value less costs of disposal calculation. Total fair value less costs of disposal defined for CGU 2 amounts to approximately LVL 22.7 million.

9. Finance income, net

	2013 LVL	2012 LVL
Interest income from loans and receivables	1 033 309	1 128 912
Interest on bank account balances	121 907	61 761
Loss from purchase/ sale of foreign currency, net	(1 882)	(5 831)
Loss from currency exchange, net	(9 417)	(7 611)
Interest expense	(320 989)	(212 853)
TOTAL:	**822 928**	**964 378**

10. Corporate income tax for the reporting year and deferred income tax

	2013 LVL	2012 LVL
Corporate income tax charge for the current year	-	(18 768)
Correction of corporate income tax for previous reporting periods	-	(7 509)
Deferred corporate income tax credit	832	6 065
TOTAL:	**832**	**(20 212)**

Deferred corporate income tax:

	Statement of financial position LVL		Statement of comprehensive income LVL	
Deferred corporate income tax liability	31/12/2013	31/12/2012	2013	2012
Accelerated depreciation for tax purposes	(3 138)	(4 125)	987	12 275
Gross deferred tax liability	(3 138)	(4 125)	987	12 275
Deferred corporate income tax asset				
Provisions established	706	861	(155)	(666 210)
Valuation allowance for deferred income tax asset	-	-	-	660 000
Gross deferred income tax asset	**706**	**861**	**(155)**	**(6 210)**
Net deferred income tax liability	**(2 432)**	**(3 264)**	**832**	**6 065**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

10. Corporate income tax for the reporting year and deferred income tax (cont'd)

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2013 LVL	2012 LVL
(Loss) / profit before tax	(19 785 252)	278 391
Corporate income tax at 15%	*(2 967 788)*	*41 758*
The effect of impairment of investments in subsidiaries	4 988 925	-
Non-taxable profit, dividends received	(1 999 783)	-
Permanent differences, net	(22 186)	(21 546)
Corporate income tax (credited) / charged to the statement of comprehensive income:	**(832)**	**20 212**

11. Property, plant and equipment

	Land and buildings LVL	Other property, plant and equipment LVL	**TOTAL LVL**
Cost:			
At 1 January 2012	731 373	158 191	889 564
Additions	-	1 371	1 371
Disposals	(731 373)	-	(731 373)
31 December 2012	**-**	**159 562**	**159 562**
Additions	-	4 740	4 740
Disposals	-	(6 048)	(6 048)
31 December 2013	**-**	**158 254**	**158 254**
Depreciation			
At 1 January 2012	-	90 194	90 194
Depreciation charge for 2012	8 380	10 586	18 966
Disposals	(8 380)	-	(8 380)
31 December 2012	**-**	**100 780**	**100 780**
Depreciation charge for 2013	-	9 472	9 472
Disposals	-	(6 048)	(6 048)
31 December 2013	**-**	**104 204**	**104 204**
Net book value			
31 December 2013	-	54 050	54 050
31 December 2012	-	58 782	58 782
1 January 2012	731 373	67 997	799 370

The total depreciation charge is included in General and administrative expense caption (see Note 4).

The real estate in Riga, Ganību dambis 10a, was sold on October 24, 2012.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

12. Investments in subsidiaries

The investments in subsidiaries of the Company as at 31 December 2013 and 2012, as well as the key performance indicators, core business activity and registered office of the subsidiaries:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	2013	2012		
	Shareholding, %		Investment, LVL		Equity of subsidiary, LVL		Profit/(loss) of subsidiary LVL		Business activity	Legal address
LatRosTrans Ltd.	66.00	66.00	46 234 203	79 493 700	65 709 751	113 088 779	(41 792 349)	11 818 910	Crude oil and oil product transportation by pipeline	LRDS "Ilūkste", Šederes pagasts, Ilūkstes novads, Latvia, LV-5474
Ventspils nafta termināls Ltd.	51.00	51.00	39 693 194	39 693 194	87 313 556	97 489 113	8 735 577	10 442 127	Crude oil and oil product reloading and storage	Talsu iela 75, Ventspils, LV-3602, Latvia
JSC Latvian Shipping Company.	49.94	49.94	34 945 355	34 945 355	112 301 507	124 727 189	(10 109 340)	(18 628 289)	Marine shipping business	Elizabetes iela 1, Riga, LV-1010, Latvia
		TOTAL:	**120 872 752**	**154 132 249**						

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

12. Investments in subsidiaries (cont'd)

The investments in the subsidiaries can be specified as follows:

	LatRosTrans Ltd.	*Ventspils nafta termināls Ltd.*	*JSC Latvian Shipping Company*	**Total**
	LVL	*LVL*	*LVL*	***LVL***
Cost:				
At 1 January 2012	**80 250 402**	**39 693 194**	**34 945 355**	**154 888 951**
At 31 December 2012	**80 250 402**	**39 693 194**	**34 945 355**	**154 888 951**
At 31 December 2013	**80 250 402**	**39 693 194**	**34 945 355**	**154 888 951**
Accumulated impairment:				
At 1 January 2012	756 702	-	-	756 702
At 31 December 2012	**756 702**	**-**	**-**	**756 702**
Impairment (see Note 8)	33 259 497	-	-	33 259 497
At 31 December 2013	**34 016 199**	**-**	**-**	**34 016 199**
Net carrying amount:				
At 31 December 2013	46 234 203	39 693 194	34 945 355	**120 872 752**
At 31 December 2012	79 493 700	39 693 194	34 945 355	**154 132 249**
At 1 January 2012	79 493 700	39 693 194	34 945 355	**154 132 249**

Information on the operations of the subsidiaries

Ventspils nafta termināls Ltd

Ventspils nafta termināls Ltd has been in the transit business for ten years already, providing transit services such as receipt of crude oil and diesel from pipelines, receipt of diesel, gasoline and other oil products delivered by rail and sea, storing and reloading such products. Ventspils nafta termināls Ltd is the largest company of this type in the region. Ventspils nafta termināls Ltd operates storage facilities for petroleum products with total capacity of 1.2 million cubic meters making it by far larger than any other company involved in similar business in Latvia or the neighbouring countries.

Ventspils nafta termināls Ltd decreased its transhipment volumes from 12.0 million metric tons in 2012 to 9.6 million metric tons of various petroleum products in 2013. Throughput of products delivered by railway and vessels was 4.2 million metric tons and throughput of pipeline gasoil was 5.4 million metric tons.

In 2013, net turnover of *Ventspils nafta termināls Ltd* exceeded LVL 51 232 472 (2012: LVL 60 427 829), while the net profit for the reporting period amounted to LVL 8 735 577 (2012: LVL 10 442 127).

LatRosTrans Ltd

LatRosTrans Ltd provides transit services of oil product. In the territory of the Republic of Latvia, *LatRosTrans Ltd* owns a pipeline network consisting of three main pipelines: Polotsk – Mazeikiai crude oil pipeline, Polotsk – Ventspils crude oil pipeline, and Polotsk – Ventspils oil product pipeline.

The sales of *LatRosTrans Ltd* in 2013 amounted to LVL 10 751 046 (2012: LVL 12 160 560), and oil product transportation for the year reached 5.5 million tons (2012: 6.3 million tons) which is by 13% less if compared to 2012. *LatRosTrans Ltd* closed 2013 with a net loss of LVL 41 792 349 (2012: profit LVL 11 818 910).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

12. Investments in subsidiaries (cont'd)

Information on the operations of the subsidiaries *(cont'd)*

JSC Latvian Shipping Company

JSC Latvian Shipping Company is providing commercial management services to its subsidiaries. The *JSC Latvian Shipping Company* and its subsidiaries operate in marine shipping business.

Interest of *JSC Ventspils nafta* in *JSC Latvian Shipping Company* has not changed since obtaining it.

The share price on NASDAQ OMX Riga at the end of the year was LVL 0.393 per share (31/12/2012: LVL 0.252 per share). On a net asset value basis *JSC Ventspils nafta's* 49.94% share of *JSC Latvian Shipping Company* as at 31 December 2013 is LVL 54 443 thousand (31/12/2012: LVL 60 639 thousand). Impairment test for investment in subsidiary *JSC Latvian Shipping Company* was performed; as a result no impairment was recognised.

In 2013, the net losses of the *JSC Latvian Shipping Company* Group amounted to LVL 10 109 340. In the same period of 2012, net losses of the *JSC Latvian Shipping Company* amounted to LVL 18 628 289.

13. Loans to related companies, receivables from related companies and other financial assets

13 (a) Non-current loans:

	31/12/2013 LVL	31/12/2012 LVL	01/01/2012 LVL
Receivable from *Euromin Holdings (Cyprus) Limited**	47 759 257	47 759 257	47 759 257
Receivable from *Latmar Holdings Corporation***	16 472 737	15 282 955	1 054 206
TOTAL:	**64 231 994**	**63 042 212**	**48 813 463**

* Pursuant to the decision of the *JSC Ventspils nafta* Council dated 26 October 2006, an Option agreement on sale of 49% of shares in the subsidiary *Ventspils nafta termināls Ltd* has been concluded with *Euromin Holdings (Cyprus) Limited* (a subsidiary of *Vitol SA*). The option has been exercised in March 2007 when a share sale agreement was signed after the necessary permit was obtained from the Latvian Competition Council. The change of shareholders in the subsidiary has been registered on 15 March 2007. The Company has received a loan note from *Euromin Holdings (Cyprus) Limited* in the amount of USD 90 million (LVL 47 880 thousand) bearing interest at LIBOR + 1% or 9.99%, whichever is lower.

On 8 December 2010, the principal amount of the loan note issued by *Euromin Holdings (Cyprus) Limited* was converted from USD 90 million to an equivalent amount in Euro, namely, Euro 67 955 thousand. In accordance with the mentioned conversion, as of 8 December 2010, the interest rate of the loan note is fixed at 3M EUR LIBOR + 1% or 9.99% per year, whichever is lower. All other conditions of the loan note remained unchanged.

The loan note is repayable either when *Euromin Holdings (Cyprus) Limited* disposes of its investment in JSC Ventspils nafta or when *Vitol SA* disposes of its investment in *Euromin Holdings (Cyprus) Limited* or 15 October 2016, whichever is the earliest.

The balance of the loan note at 31 December 2013 and 2012 was Euro 67 955 301 (LVL 47 759 257). As at 31 December 2013 and 31 December 2012 the loan note balance was neither due nor impaired. The Company's management believes that debt is fully recoverable.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

13. Loans to related companies, receivables from related companies and other financial assets (cont'd)

13 (a) Non-current loans (cont'd)

***Loans of *JSC Ventspils nafta* to *Latmar Holdings Corporation**

On August 29, 2011, a loan agreement was concluded for Euro 1 500 000 (LVL 1 054 206) between *JSC Ventspils nafta* and *Latmar Holdings Corporation* – a subsidiary of *JSC Latvian Shipping Company.* The initial loan repayment time was fixed until September 2, 2013, and the initial interest rate was fixed at 3 months EUR LIBOR + 1%.
Amendments were made to the loan agreement on March 29, 2012, determining the new loan amount of Euro 1 517 704 (LVL 1 066 648) (the principal of previous loan agreement and the accrued interest as at the time of amending the agreement), the new repayment time was fixed as at June 30, 2017, but the new loan interest rate was fixed at 3 months EUR LIBOR + 2.75%.
The loan security is the real property at Jēkaba Street 30, Riga.

On March 29, 2012, a loan agreement was concluded for Euro 5 000 000 (LVL 3 514 020) between *JSC Ventspils nafta* and *Latmar Holdings Corporation* – a subsidiary of *JSC Latvian Shipping Company*. The loan is repayable until June 30, 2017, and the interest rate is fixed 3 months EUR LIBOR + 2.75%. Loan securities are the real property at Elizabetes Street 1, Riga, the real property at Jēkaba Street 30, Riga, as well as the commercial pledge of *Latmar Holdings Corporation* subsidiary *Skonto nafta Ltd* for a part of registered shares of *JSC Latvijas Naftas Tranzīts* owned by it.

On May 18, 2012, a loan agreement was concluded for USD 19 557 000 (LVL 10 854 135) between *JSC Ventspils nafta* and *Latmar Holdings Corporation* – a subsidiary of its associated company *JSC Latvian Shipping Company*. The loan is repayable until June 30, 2017, and the interest rate is fixed 3 months USD LIBOR + 2.75%. The loan security is the commercial pledge of *Latmar Holdings Corporation* subsidiary *Skonto nafta Ltd* for a part of registered shares of *JSC Latvijas Naftas Tranzīts* owned by it.

On March 13, 2013, a loan agreement was concluded for up to USD 7 000 000 between *JSC Ventspils nafta* and *Latmar Holdings Corporation* – a subsidiary of its associated company *JSC Latvian Shipping Company*. The loan term is until June 30, 2017 and the fixed interest rate was 3 months USD LIBOR +2.75%. The loan was available for issuing until December 31, 2013 upon the borrower's request. The loan security is the commercial pledge of *Latmar Holdings Corporation* subsidiary *Skonto nafta Ltd* for a part of registered shares of *JSC Latvijas Naftas Tranzīts* owned by it. Amendments were made to the loan agreement on December 3, 2013, translating the amount of loan from USD 7 000 000 to Euro 5 200 000, prolonging the issuing date of the loan until June 30, 2017 and determining the new loan interest rate, which was fixed at 3 months EUR LIBOR + 3.5%. The first tranche of the loan payment in the amount of Euro 1 500 000 (LVL 1 054 206) was issued on December 3, 2013.

On July 26, 2013, a loan agreement was concluded for Euro 1 170 000 (LVL 822 281) between *JSC Ventspils nafta* and *Latmar Holdings Corporation* – a subsidiary of its associated company *JSC Latvian Shipping Company*. The loan is repayable until July 25, 2014, and the fixed interest rate is 3 months EUR LIBOR + 6.5%. The loan is not secured. The Company's management believes that debt is fully recoverable.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

13. Loans to related companies and receivables from related companies (cont'd)

13 (b) Receivables from related companies (current):	31/12/2013 LVL	31/12/2012 LVL	01/01/2012 LVL
Receivable from *JSC Latvian Shipping Company* in relation to management consulting services	7 543	25 372	41 185
Receivable from *Ventspils nafta termināls Ltd* in relation to management consulting services	27 834	-	30 871
Receivable from *LatRosTrans Ltd* in relation to management consulting services	7 516	8 082	25 394
Receivable from *LNT Ltd* in relation to other services	7 541	-	-
TOTAL receivables from related companies (current):	**50 434**	**33 454**	**97 450**

13 (c) Other financial assets:

LASCO Investment Ltd

Net present value of *LASCO Investment Ltd* debt at 31 December 2013 is LVL 21 258 667 (31/12/2012: LVL 21 258 667). The cost of *LASCO Investment Ltd* debt as at 31 December 2013 is LVL 28 628 667 thousand (31/12/2012: LVL 28 628 667).

On 17 December 2008, the Company signed a share sales agreement with *LASCO Investment Ltd,* the subsidiary of *JSC Latvian Shipping Company,* on the sale of the shares in the following subsidiaries of *JSC Ventspils Nafta: JSC Preses Nams, Mediju Nams Ltd*, *LASCO nekustamie īpašumi Ltd* (*until March 2009 - Nekustamie īpašumi VN Ltd), Rīgas Līcis Ltd (until March 2009 - Rīgas Līcis VN Ltd),* as well as on the sale of its the real estate located at Aristida Briāna iela 3, Riga, Talsu iela 75D, Ventspils, and Lejastiezumi, Rendas pag., Kuldīga district, and its movable property. The total transaction amount was LVL 81 550 thousand.

For the outstanding payments the buyer pays interest to the seller on the actually outstanding amount at the annual rate of EUR 3 month LIBOR plus 2.75%.

In 2008 the Company received payment in the amount of LVL 18 927 thousand for the above mentioned sale transaction, and in 2009 – LVL 36 188 thousand (including interest income). In 2010, LVL 266 thousand (interest for 2009) were received. Payment of debt in 2010 was delayed.

The aforementioned debt is secured against pledged real estate properties and shares of the companies holding the sold companies.

On December 17, 2010 the administrator filed in court an insolvency application of *LASCO Investment Ltd*. On 3 January 2011, the insolvency of *LASCO Investment Ltd* was announced by the Vidzeme Suburb Court.

On 26 January 2011, *JSC Ventspils nafta* submitted a creditor's claim to the administrator of the insolvent *LASCO Investment Ltd*, which was rejected by the administrator on January 31, 2011. *JSC Ventspils nafta* is pursuing a claim in the Riga Regional Court against the insolvent *LASCO Investment Ltd*, requesting the court to recognize *JSC Ventspils nafta* as a secured creditor and to recover debt amount. In 2011 also the administrator of the insolvent *LASCO Investment Ltd* has initiated a claim in the Riga Regional Court against *JSC Ventspils nafta*, requesting the reversal a sale of the shares of *LASCO nekustamie īpašumi Ltd* and *JSC Preses nams*. Both above mentioned cases are joint in one proceeding. On October 29, 2013, the court of first instance reviewed this unified civil case. With judgment of November 12, 2013 the court partially satisfied the claim of *JSC Ventspils nafta*, recognising *JSC Ventspils nafta* as the secured creditor and recovering EUR 40.7 million for the benefit of *JSC Ventspils nafta* from the insolvent *LASCO Investment Ltd*. The court fully rejected the claim of the insolvent *LASCO Investment Ltd*. In January 2014 the insolvent *LASCO Investment Ltd*. filed appeal complaint regarding the judgment passed by the court of first instance on November 12, 2013. At the moment of preparation of this report cases are not reviewed by merits in second instance of the court.

In view of the above mentioned proceeding, it is management's opinion that the recoverable amount of the debt directly relates to the value of real properties and shares of companies holding real properties that are pledged for *JSC Ventspils nafta*. On 31 December 2013, the carrying value of the debt is the net present value of properties pledged in favour of *JSC Ventspils nafta*.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

14. Short-term deposits

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Short-term deposits	15 813 348	4 701 694	7 305 835
TOTAL:	**15 813 348**	**4 701 694**	**7 305 835**

Credit quality of short-term deposits (Fitch's):

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
A+	13 845 497	3 647 347	7 305 835
B	1 967 851	1 054 347	-
TOTAL:	**15 813 348**	**4 701 694**	**7 305 835**

Short-term deposits are placed for periods ranging from 90 days to twelve months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. Interests for short-term deposits are calculated corresponding with the respective short-term deposit rates. Annual rates of short-term deposits that are placed in the reporting period range from 0.4% to 1.5%.

15. Other assets

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Corporate income tax receivable (See Note 19)	22 959	82 136	4 372
Personal income tax receivable (See Note 19)	4 848	4 848	4 768
Statutory social insurance contributions receivable (See Note 19)	1 532	-	-
Advances for services to be provided	-	1 426	5 228
Accrued interest income	130 122	49 446	170 126
Accrued income	-	5 481	-
Other	4 387	2 924	2 387
TOTAL:	**163 848**	**146 261**	**186 881**

16. Cash and cash equivalents

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Current bank accounts	360 817	76 090	83 821
TOTAL:	**360 817**	**76 090**	**83 821**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

16. Cash and cash equivalents (cont'd)

Credit quality of cash (Fitch's):

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
A+	205 392	76 090	83 821
B	155 425	-	-
TOTAL:	**360 817**	**76 090**	**83 821**

17. Share capital

The following table presents the distribution between bearer shares in the public offering and registered shares:

	Registered shares	Bearer shares	**Total, LVL**
31 December 2013	-	104 479 519	**104 479 519**
31 December 2012	-	104 479 519	**104 479 519**
1 January 2012	43 881 398	60 598 121	**104 479 519**

All shares are authorized, issued and fully paid.

The nominal value of each share is LVL 1.

Loss per share of LVL 0.189 (2012: earnings per share LVL 0.002) are calculated by dividing the net loss for the reporting year in the amount of LVL 19 784 420 (2012: net profit LVL 258 179) by the weighted average number of shares issued in the amount of 104 479 519 (2012: 104 479 519) during the reporting year. As on 17 October 2013, when the last shareholders' general meeting of *JSC Ventspils nafta* took place, *Euromin Holdings (Cyprus) Limited*, was registered as the largest shareholder by owning 49.5% of Parent company's share capital.

According to the decisions of the extraordinary shareholders' meeting held on 6 November 2012 the shareholders decided to convert registered 43 881 398 paper form registered shares of *JSC Ventspils nafta* into 43 881 398 dematerialised bearer shares and to include the converted shares in the Baltic Official List of *JSC NASDAQ OMX Riga*. All the bearer shares are listed on *NASDAQ OMX Riga* since May 2, 2013.

18. Payables to related companies

18 (a) Long-term borrowings:

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Loan payable to LatRosTrans Ltd	10 582 769	10 588 617	-
TOTAL long-term borrowings:	**10 582 769**	**10 588 617**	**-**

On March 23, 2012, a loan agreement was concluded for USD 19 557 000 between *JSC Ventspils nafta* and its subsidiary *LatRosTrans Ltd*. The loan is repayable until November 1, 2016, and the interest rate is fixed 3 months USD LIBOR + 2.74%. The loan security is the commercial pledge issued by *JSC Ventspils nafta* for a part of the claim pertaining to *JSC Ventspils nafta* from *Euromin Holdings (Cyprus) Limited.*

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

18. Payables to related companies

18 (b) payabes to related companies (current):	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Payables to *Ventspils nafta termināls Ltd* in relation to services received	75	75	62
Payables to LatRosTrans Ltd in relation to services received	6 008	2 154	3 220
Payables to JSC Latvian Shipping Company in relation to services received	-	-	720
TOTAL payables (current):	**6 083**	**2 229**	**4 002**

19. Taxes receivable/ (payable)

	31/12/2013	Charge for 2013	Paid/ (returned) in 2013	31/12/2012	01/01/2012
	LVL	LVL	LVL	LVL	LVL
Statutory social insurance contributions	1 532	(152 922)	154 454	-	-
Personal income tax	4 848	(91 431)	91 431	4 848	4 768
Corporate income tax	22 959	-	(59 177)	82 136	4 372
Value added tax	(9 534)	(7 828)	15 388	(17 094)	(8 065)
TOTAL:	**19 805**	**(252 181)**	**202 096**	**69 890**	**1 075**
TOTAL PAYABLE:	**(9 534)**			**(17 094)**	**(8 065)**
TOTAL RECEIVABLE:	**29 339**			**86 984**	**9 140**

20. Payables and accruals

	31/12/2013	31/12/2012	01/01/2012
	LVL	LVL	LVL
Trade payables	23 319	8 661	46 313
Accrued personnel expense	78 173	86 863	71 972
Vacation pay reserve	4 705	5 738	47 139
Other accrued liabilities	10 273	17 597	18 036
TOTAL:	**116 470**	**118 859**	**137 147**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

21. Related party disclosures

		2013		31/12/2013	
Related party	**Nature of services**	Income from related parties LVL	Purchases from related parties LVL	Amounts owed by related parties LVL	Amounts owed to related parties LVL
Ventspils Nafta Termināls Ltd	Consulting services provided	52 613	580	27 834	75
JSC Latvian Shipping Company	Consulting services provided	40 829	-	7 543	-
Euromin Holdings' (Cyprus) Ltd	Interest income	542 610	-	47 759 257	-
Latmar Holdings Corporation	Interest income	490 700	-	17 319 041	-
LatRosTrans Ltd	Rent of premises/ Consulting services provided	33 589	22 677	7 516	6 008
LatRosTrans Ltd	Interest expense	-	320 989	-	10 582 769
JSC Latvijas naftas tranzīts	Other services	5 000	-	7 541	-
Total		**1 165 341**	**344 246**	**65 128 732**	**10 588 852**

		2012		31/12/2012	
Related party	**Nature of services**	Income from related parties LVL	Purchases from related parties LVL	Amounts owed by related parties LVL	Amounts owed to related parties LVL
Ventspils Nafta Termināls Ltd	Consulting services provided	38 673	561	-	75
JSC Latvian Shipping Company	Consulting services provided	181 278	55	25 372	-
Euromin Holdings' (Cyprus) Ltd	Interest income	796 677	-	47 759 257	-
Latmar Holdings Corporation	Interest income	332 236	-	15 282 955	-
LatRosTrans Ltd	Rent of premises/ Consulting services provided	34 017	20 781	8 082	2 154
LatRosTrans Ltd	Interest expense	-	212 853	-	10 588 617
Total		**1 382 881**	**234 250**	**63 075 666**	**10 590 846**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

22. Total fee to commercial company of certified auditors PricewaterhouseCoopers Ltd for:

	2013	2012
	LVL	LVL
Audit of financial statements	13 705	11 596
Tax and consulting	-	23 912
TOTAL:	**13 705**	**35 508**

23. Financial instruments

The main financial instruments of the Company are issued loans and cash. The main purpose of these financial instruments is to ensure the financing of the Company's operations. The Company also deals with several other financial instruments which result from its operations, for example, loans, cash and cash equivalents, receivables from related parties and other financial assets, payables to related parties, and other payables.

Fair value of financial assets and liabilities

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, other non-current financial assets, loans to related parties and trade and other payables. The main purpose of these financial instruments which mainly arise directly from operations is to raise finance for the Company's operations.

The carrying amounts and fair values of the Company's financial assets and liabilities by categories are as follows:

	LVL		LVL	
	31.12.2013. Carrying amount	**31.12.2013. Fair value**	**31.12.2012. Carrying amount**	**31.12.2012. Fair value**
Assets at amortized cost				
Non-current loans to related parties	64 231 994	64 231 994	63 042 212	63 042 212
Non- current other financial assets	21 258 667	21 258 667	21 258 667	21 258 667
Receivables from related parties	50 434	50 434	33 454	33 454
Short term deposits	15 813 348	15 813 348	4 701 694	4 701 694
Accrued interest income	130 122	130 122	49 446	49 446
Current loans to related parties	846 304	846 304	-	-
Cash and cash equivalents	360 817	360 817	76 090	76 090
Total assets at amortized cost	**102 691 686**	**102 691 686**	**89 161 563**	**89 161 563**
Liabilities at amortized cost				
Non-current borrowings from related parties	10 582 769	10 582 769	10 588 617	10 588 617
Payables to related companies	6 083	6 083	2 229	2 229
Other payables	33 592	33 592	26 258	26 258
Total liabilities at amortized cost	**10 622 444**	**10 622 444**	**10 617 104**	**10 617 104**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

23. Financial instruments (cont'd)

Hierarchy of input data for determining the fair value of assets and liabilities

The Company use the following hierarchy of three levels of input data for determining and disclosing the fair value of financial assets and liabilities.

Level 1: Quoted prices in active markets;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;

Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 contains cash and cash equivalents and short term deposits.

There are no financial assets or financial liabilities, which are included in Level 2.

Level 3 contains receivables from related parties, other financial assets, loans, payables to related parties and other payables. Assets and liabilities mentioned before, except for loans issued and loans received to / from related parties, are assets/ liabilities with short term remaining maturity (less than 1 year). As a result the Company assume that the fair value of those assets and liabilities approximates to their carrying amount.

Loans issued and loans received to/ from related parties are at arm's length and carry margin plus USD LIBOR or EUR LIBOR rate; therefore, the Company assumes that the carrying value of the loans approximate their fair value.

The Company's assets and liabilities according to the hierarchy of input data for determining fair value.

	31.12.2013.			
	LVL	LVL	LVL	LVL
	Level 1	Level 2	Level 3	Total
Assets at amortized cost				
Non-current loans to related parties	-	-	64 231 994	64 231 994
Non- current other financial assets	-	-	21 258 667	21 258 667
Receivables from related parties	-	-	50 434	50 434
Short term deposits	15 813 348	-	-	15 813 348
Accrued interest income	130 122	-	-	130 122
Current loans to related parties	-	-	846 304	846 304
Cash and cash equivalents	360 817	-	-	360 817
Total assets at amortized cost	**16 304 287**	**-**	**86 387 399**	**102 691 686**
Liabilities at amortized cost				
Non-current borrowings from related parties	-	-	10 582 769	10 582 769
Payables to related companies	-	-	6 083	6 083
Other payables	-	-	33 592	33 592
Total liabilities at amortized cost	**-**	**-**	**10 622 444**	**10 622 444**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

23. Financial instruments (cont'd)

Hierarchy of input data for determining the fair value of assets and liabilities (cont'd)

	31.12.2012.			
	LVL	LVL	LVL	LVL
	Level 1	Level 2	Level 3	Total
Assets at amortized cost				
Non-current loans to related parties	-	-	63 042 212	63 042 212
Non- current other financial assets	-	-	21 258 667	21 258 667
Receivables from related parties	-	-	33 454	33 454
Accrued income	49 446	-	-	49 446
Short term deposits	4 701 694	-	-	4 701 694
Current loans to related parties	-	-	-	-
Cash and cash equivalents	76 090	-	-	76 090
Total assets at amortized cost	**4 827 230**	**-**	**84 334 333**	**89 161 563**
Liabilities at amortized cost				
Non-current borrowings from related parties	-	-	10 588 617	10 588 617
Payables to related companies	-	-	2 229	2 229
Other payables	-	-	26 258	26 258
Total liabilities at amortized cost	**-**	**-**	**10 617 104**	**10 617 104**

24. Financial risk management

The Company has a policy of regularly reviewing its approach to risk management. The main financial risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Management Board reviews and agrees policies for managing each of these risks which are summarised below.

Foreign currency risk

The Company's financial assets and liabilities exposed to foreign currency risk comprise cash and cash equivalents, trade receivables, current and non-current loans, trade payables.

The Company does not use any financial instruments to manage their exposure to foreign currency risk.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

24. Financial risk management

Foreign currency risk *(cont'd)*

The Company's currency risk in USD dollars and Euro as at 31 December 2013 and 2012 may be specified as follows:

	31/12/2013	31/12/2012
Financial assets denominated in EUR	160 568 715	141 466 385
Financial liabilities denominated in EUR	-	-
Net financial position in EUR	**160 568 715**	**141 466 385**
Net financial position in LVL	**112 848 335**	**99 423 141**
Financial assets denominated in USD	21 070 929	20 455 890
Financial liabilities denominated in USD	(20 480 564)	(19 872 780)
Net financial position in USD	**590 365**	**583 110**
Net financial position in LVL	**304 162**	**309 751**

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian Lat against Euro, i.e. 0.702804. From this moment the Bank of Latvia also ensured that the market rate will not differ from the official rate by more than 1%. Therefore, the Company's future profit or loss due to fluctuations of the Euro exchange rate would not be material as far as the Bank of Latvia maintains the above mentioned fixed rate. Till 31 December 2013 Lat (LVL) was the monetary unit of the Republic of Latvia. Latvia has joined the Euro Zone and its national currency is Euro since January 1, 2014. Fluctuations of currency exchange rates will no longer influence the operational activities of the Company. The Company does not use any currency hedge tools.

The following table demonstrates the sensitivity to a reasonably possible change in the USD dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of financial assets and liabilities).

	Increase/ (decrease) in US dollar exchange rate	Effect on profit before tax LVL
2013		
	+5%	15 208
	-5%	(15 208)
2012		
	+5%	15 488
	-5%	(15 488)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

24. Financial risk management (cont'd)

Liquidity risk

The Company manages its liquidity risk by planning of terms of payment of trade payables. The budgeting system which is being successfully applied by the Company is of great use for liquidity risk management and control. Risk analysis and designing of risk management plans are conducted at the top management level.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments.

2013	On demand LVL	< 3 months LVL	3 to 12 months LVL	1 to 5 years LVL	> 5 years LVL	Total LVL
Trade payables	-	23 319	-	-	-	23 319
Payables to related companies	6 083	-	-	-	-	6 083
TOTAL:	**6 083**	**23 319**	**-**	**-**	**-**	**29 402**

2012	On demand LVL	< 3 months LVL	3 to 12 months LVL	1 to 5 years LVL	> 5 years LVL	Total LVL
Trade payables	-	8 661	-	-	-	8 661
Payables to related companies	2 229	-	-	-	-	2 229
TOTAL:	**2 229**	**8 661**	**-**	**-**	**-**	**10 890**

Credit risk

The Company is exposed to credit risk through its non-current loan to *Euromin Holdings (Cyprus) Limited, Latmar Holdings Corporation* and the receivable from *LASCO Investment Ltd,* as well as through cash and cash equivalents. The Company manages credit risk arising out of cash and cash equivalents by investing in EU-registered credit institutions. The credit risk arising out of non-current loans and other financial non-current asset is managed by evaluating the creditworthiness of business partners.

The Company is exposed to credit risk through its trade and other receivables. The Company manages its credit risk by continuously assessing the credit history. Stable credit institutions with the possible highest ratings are used for placement of free cash. In addition, receivable balances are monitored on an on-going basis to ensure that the Company's exposure to bad debts is minimised.

Interest rate risk

The Company is exposed to the interest rate risk mainly through its current loans. The interest rate receivable on the loans and interest rate payable on the borrowings is disclosed in Notes 13 and 18.

	2013		2012	
	Increase/ (decrease) in basis points	Effect on profit before tax LVL	Increase/ (decrease) in basis points	Effect on profit before tax LVL
Loan receivable				
EUR LIBOR	+0.10%	54 494	+0.20%	104 906
	-0.10%	(54 494)		
USD LIBOR	+0.25%	26 461	+0.20%	21 179
	-0.10%	(10 584)		
Borrowings				
USD LIBOR	+0.25%	(26 457)	+0.20%	(21 177)
	-0.10%	10 583		

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONT'D)

24. Financial risk management (cont'd)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy debt to equity ratio in order to support its business growth in line with strategic development guidelines, ensure continuity of operations, maintain low credit risk and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions in Latvia and the European Union, the capital market trends and interest rate fluctuations. To maintain optimum capital structure, the Company may use a share capital increase or decrease, distribution of dividends or various forms of borrowed capital. The Company's capital management objectives, policies and procedures have not been changed in 2013 and 2012.

The Company manages its capital structure by using the gearing ratio of net debt against total capital. Total capital is the sum of net debt and equity. Net debt is calculated as the sum of interest-bearing loans and other non-current liabilities less cash and cash equivalents. Equity includes share capital with share premium, reserves and retained earnings or accumulated deficit. The Company's policy is to maintain the gearing ratio not exceeding 25 percent in medium term.

	2013 LVL	2012 LVL
Borrowings	10 582 769	10 588 617
Less cash and cash equivalents	(360 817)	(76 090)
Net debt	*10 221 952*	*10 512 527*
Equity	212 934 926	232 719 346
Total capital	202 712 974	222 206 819
GEARING RATIO:	**5.04%**	**4.73%**

25. Events after the reporting period

On March 14, 2014, *JSC Ventspils nafta* received Euro 6 365 353 in dividends from its subsidiary *Ventspils nafta termināls Ltd* for 2013.

Between the last day of the reporting year and 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.