

**Financial Statements
of the Financial and Capital Market
Commission for 2014**

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The Financial and Capital Market Commission (hereinafter referred to also as the Commission) was established on 1 July 2001 and has been operating in accordance with the Law on the Financial and Capital Market Commission. Kristaps Zakulis has been the Chairman of the Commission since 12 January 2012.

On 19 December 2013, based on Article 17 (9) of the Law on the Financial and Capital Market Commission, with Decision No 291, the Commission's Board approved the Budget of the Financial and Capital Market Commission for 2014, thereby specifying the financing for maintaining the activities of the Commission and the use of these financial resources. The financial and capital market participants made payments for financing the activities of the Commission in 2014 in accordance with the Regulations 290 On the Amount of Payments by Financial and Capital Market Participants for Financing the Financial and Capital Market Commission and on the Procedures for Submission of Reports for the Year 2014 approved by the Commission's Board on 19 December 2013.

The Commission conducted accounting in accordance with the Law on Accounting and, as an independent autonomous public institution with the segregated State property, prepared financial statements for the year 2014 in accordance with the Financial Accounting Policy of the Financial and Capital Market Commission approved by Decision No 102 of the Commission's Board of 28 April 2012.

Pursuant to Article 6 of the Law on the Financial and Capital Market Commission, in the reporting year the Commission managed the Deposit Guarantee Fund and the Fund for the Protection of the Insured, preparing separate financial statements for each of the Funds. For the management of both Funds, only the Commission's budgetary funds were used instead of Funds' resources. Besides, within its 2014 budget the Commission dealt with administration of financial stability fee, which has been paid into the national budget of the Republic of Latvia.

As the Commission falls within the scope of definition of a contracting authority provided by the Law on Public Procurement, all procurements for ensuring the Commission's activities were performed in compliance with the requirements of the Law hereto.

On 15 March 2012, the Commission entered into a five-year agreement with SIA Deloitte Audits Latvia on the audit of the Commission's financial statements. In performing the audit of the Commission's financial statements for 2014, SIA Deloitte Audits Latvia was represented by its Board Member Roberts Stūģis and Sworn Auditor of the Republic of Latvia Inguna Staša (Certificate No 145).

Funds of the Commission

In 2014, activities of the Commission were financed from the payments made by the financial and capital market participants and the Commission's performance results of previous years. In 2014, the revenues of the Commission totalled 6 428.3 thousand euro, of which financing from particular financial and capital market segments accounted for 6 419.6 thousand euro, and it was in accordance with the planned revenues as laid down in the Commission's budget for year 2014 (i.e. 6 413 thousand euro)¹. In 2015, the Commission recalculated payments by insurers, financial instruments market players and private pension funds on 2014 to prevent an excess of the financing specified in the Commission's budget for 2014. The market operators that made minimum payments for the financing of the Commission as laid down in the special law on market participants or their funding surplus did not exceed 100 euro were not included in the recalculation of the financing for activities of the Commission. The Commission's revenues from the payments of market participants were above 6.6 thousand euro due to above restrictions. In recalculating, the share specified for the budget revenues was observed – as regards monetary financial institutions, financial instruments market participants and private pension funds, 82%, and the insurers, 18%.

Total expenses of the Commission in 2014 amounted to 6 940 thousand euro. According to the budget planning, the Commission's expenses, excluding provisions for vacation, in 2014 were 6 899.4 thousand euro, which was by 3% less than the planned expenses (7 109.7 thousand euro)¹. Notwithstanding that a deficit of 678.7 thousand euro was planned, the Commission managed to make savings in some expenditure items and ended the year with less deficit – 471.1 thousand euro. The excess of expenses over revenues, including provisions for vacation and bonuses in 2014 was 511.7 thousand euro, and it reduced the Commission's performance results.

¹ See Budget Performance (page 5).

Management Report

A decrease in net assets by the above amount in 2014 was due to the Commission's negative performance result, i.e., the excess of expenses over revenues. At the end of 2014, the Commission's equity or net assets were 4 537.5 thousand euro, or down by 10% year-on-year. At the end of 2014, assets for financing the activities of the Commission amounted to 5 185.9 thousand euro.

For 2014, it was planned that the Commission's performance result would be in excess of expenditure over revenues in the amount of 678.7 thousand euro. Also for 2015, a deficit of 802.8 thousand euro has been projected in the Commission's performance result. In 2015 it is planned that 90% of the funding required for the Commission's expenditures will be financed by the financial and capital market operators in accordance with the Regulations No 297 On the Amount of Payments by Financial and Capital Market Participants for Financing the Financial and Capital Market Commission and on the Procedures for Submission of Reports for the Year 2015 of 10 December 2014 approved by the Commission's Board, and the Commission will cover provisions in the amount of 10% required for expenditures by the funding arising from the performance results of previous years accumulated by the Commission.

**THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH
A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP**

Kristaps Zakulis
Chairman
Financial and Capital Market Commission

29 April 2015

Financial and Capital Market Commission

Budget Performance

With Decision No 291 of 19 December 2013 of the Board of the Commission, The Budget of the Financial and Capital Market Commission for 2013 was approved with the budget revenues for 2014 in the amount of 6 413 005 euro and expenses in the amount 7 109 670 euro.

(euro)

	Actual result ²	Reporting year budget ²	Reporting year budget result, %	Share of actual result in total amount, %	Budget surplus (+) / deficit (-)
REVENUES (+)	6 428 323	6 430 935	100	100	-2 612
REVENUES FROM PAYMENTS BY FINANCIAL AND CAPITAL MARKET PARTICIPANTS	6 419 633	6 413 005	100	100	6 628
REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS	4 743 541	4 742 890	100	74	651
Payments by credit institutions	4 663 670	4 706 035			
Payments by credit unions	29 169	29 880			
Payments by payment institutions	14 955	4 980			
Payments by electronic money institutions	35 747	1 995			
REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PRIVATE PENSION FUNDS	512 633	506 680	101	8	5 953
Payments by financial instruments market participants	341 685	364 390			
Payments by private pension funds	170 948	142 290			
REVENUES RELATED TO INSURANCE SUPERVISION	1 163 459	1 163 435	100	18	24
Payments by life assurance companies	219 765	209 160			
Payments by other insurance companies	943 694	954 275			
OTHER REVENUES	8 690	17 930	48	0.1	-9 240
EXPENSES (-)	6 899 390	7 109 670	97	100	210 280
Staff remuneration and other payments, compulsory State social insurance contributions	4 883 630	5 090 610	96	71	
Employee insurance	28 151	28 815	98	0.4	
Staff professional training and business trips	525 354	451 035	116	8	
Telecommunication and information	147 280	163 320	90	2	
Public awareness campaigns and internal and external communications	63 782	78 350	81	1	
Maintenance and general service expenses	620 128	597 300	104	9	
Professional services	31 767	29 870	106	0.5	
Participation fees in international organisations	477 754	515 490	93	7	
Depreciation/amortisation of capital investments	121 544	154 880	78	2	
RESULT	-471 067	-678 735			207 668

² In compliance with the principle of accrual-based accounting, except provisions for vacations, which are not included in the budget.

Financial and Capital Market Commission

Balance Sheet

		(euro)	
ASSETS	Notes	31.12.2014	31.12.2013
LONG-TERM INVESTEMENTS	2	470 031	365 256
Intangible investments		206 950	125 621
Fixed assets		240 287	207 328
Prepayments for long-term investments		7 962	13 967
Investments in leasehold improvements		14 832	18 340
CURRENT ASSETS		4 715 825	5 056 087
Inventories		54	273
Accounts receivable		1 582 547	1 602 024
Due from market participants to the Commission	3	1 516 474	1 446 089
Other receivables	4	58 220	155 087
Staff receivables		7 853	848
Prepaid expenses	5	36 140	19 432
Cash	6	3 097 084	3 434 357
TOTAL ASSETS		5 185 856	5 421 343
		(euro)	
LIABILITIES	Notes	31.12.2014	31.12.2013
EQUITY	7	4 537 546	5 049 255
Net assets of the Commission (performance result)		4 537 546	5 049 255
PAYABLES		648 310	372 088
Due from the Commission	8	359 363	147 138
Accounts payable for staff remuneration		-	1 052
Taxes payable	9	2 409	336
Provisions for vacations		276 552	215 546
Provisions for liabilities		9 986	8 016
TOTAL LIABILITIES		5 185 856	5 421 343

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Financial statements presented on pages 6 to 16 have been approved by Decision No 70 (Min. No 17, item 4) of 29 April 2015 by the Board of the Financial and Capital Market Commission.

Statement of Income and Expenses

		(euro)	
	Notes	31.12.2014	31.12.2013
REVENUES			
REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS		4 743 541	4 526 894
Payments by credit institutions		4 663 670	4 492 496
Payments by credit unions		29 169	27 656
Payments by payment institutions		14 955	4 762
Payments by electronic money institutions		35 747	1 981
REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PENSION FUNDS		512 633	577 134
Payments by financial instruments market participants		341 685	426 012
Payments by private pension funds		170 948	151 122
REVENUES RELATED TO SUPERVISION OF INSURANCE		1 163 459	1 227 719
Payments by life assurance companies		219 765	208 623
Payments by other insurance companies		943 694	1 019 096
OTHER REVENUES		8 690	18 400
TOTAL REVENUES		6 428 323	6 350 147
EXPENSES			
Staff remuneration and other similar payments	10	(4 863 259)	(4 595 243)
Changes in provisions for vacation and bonuses		(61 006)	(39 045)
Staff insurance		(28 151)	(27 012)
Staff professional training and business trips	11	(525 354)	(360 860)
Telecommunication and information	12	(147 280)	(152 277)
Public awareness campaigns and external and internal communications		(63 782)	(28 365)
Maintenance and general service expenses	13	(620 128)	(551 299)
Professional services	14	(31 767)	(61 209)
Participation in international organisations		(477 754)	(356 683)
Depreciation/amortisation/write-off of capital investments	2	(121 544)	(103 697)
TOTAL EXPENSES		(6 940 025)	(6 275 689)
RESULT		(511 702)	74 458

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Financial and Capital Market Commission

Cash Flow Statement

(euro)

Notes	31.12.2014	31.12.2013
REVENUES		
REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS	4 594 968	4 411 030
Payments by credit institutions	4 546 299	4 376 906
Payments by credit unions	28 744	27 078
Payments by payment institutions	7 716	5 161
Payments by electronic money institutions	12 209	1 885
REVENUES RELATED TO SUPERVISION OF INSURANCE	1 191 009	1 395 320
Payments by life assurance companies	219 459	221 622
Payments by other insurance companies	971 550	1 173 698
REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PENSION FUNDS	563 270	564 116
Payments by financial instruments market participants	397 306	412 094
Payments by private pension funds	165 964	152 022
OTHER REVENUES	9 232	18 561
TOTAL REVENUES	6 358 479	6 389 027
EXPENSES		
Staff remuneration and other payments	(4 869 905)	(4 592 886)
Staff insurance	(28 175)	(27 012)
Staff professional training and business trips	(527 624)	(361 724)
Telecommunication and information	(150 468)	(223 325)
Public awareness campaigns and external and internal communications expenses	(61 137)	(27 183)
Maintenance and general service expenses	(616 145)	(552 123)
Professional services	251 008 ³	(61 289)
Participation in international organisations	(467 500)	(355 577)
TOTAL EXPENSES	(6 469 946)	(6 201 119)
INVESTMENT ACTIVITIES		
Capital investments	(225 806)	(127 085)
TOTAL INVESTMENT ACTIVITIES	(225 806)	(127 085)
Net change in cash during the reporting period	(337 273)	60 823
Cash balance at the beginning of the reporting period	3 434 357	3 373 534
Cash balance at the end of the reporting period	3 097 084	3 434 357

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

³ Due to reimbursement of the costs of proceedings to the Commission, a positive cash flow in this item (See Note 7).

Financial and Capital Market Commission

Statement of Changes in Equity

		(euro)
		Equity (net assets) of the Commission
	Notes	
Net assets 31.12.2012		4 974 839
Fixed assets write-off in 2013 charged directly to the result		(42)
Result of the reporting period		74 458
Net assets 31.12.2013		5 049 255
Fixed assets write-off in 2014 charged directly to the result	2	(7)
Result of the reporting period		(511 702)
Net assets 31.12.2014		4 537 546

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Notes to the Financial Statements

The Financial and Capital Market Commission was established and has been operating under the Law on the Financial and Capital Market Commission since 2001. The Commission is an autonomous public authority that exercises regulatory supervision over the Latvian financial and capital markets consisting of three sectors:

1. monetary financial institutions sector;
2. insurance sector;
3. financial instruments market and private pension funds sector.

The monetary financial institutions sector is comprised of credit unions, payment institutions and electronic money institutions. The Commission has been regulating and supervising payment institutions and electronic money institutions already since 2011.

The insurance sector consists of insurance companies – life insurance and other insurance undertakings, – reinsurance companies and insurance intermediaries – insurance brokers and insurance agents. Currently, there are no reinsurance companies operating in Latvia.

The financial instruments market and private pension funds sectors are comprised of financial instruments market participants – investment firms, investment management companies, managers of alternative investment funds, organizers of regulated market (stock exchange) and Latvian Central Depository – and private pension funds, either closed-end private pension funds or open-end private pension funds. The Commission has been regulating and supervising alternative investment fund managers only since 2014.

The purpose of the Commission is to promote the protection of interests of investors, depositors and the insured parties as well as the development and soundness of the financial and capital market.

In accordance with the Law on the Financial and Capital Market Commission, the key functions of the Commission are as follows:

- to issue binding rules and regulations and make decisions on the requirements for the functioning of financial and capital market participants, calculating and reporting their performance indicators;
- to govern the financial and capital market and activities of its participants by controlling their compliance with laws and regulations, as well as regulatory requirements and resolutions issued by the Commission;
- to specify the qualification and compliance requirements for the financial and capital market participants and their officials;
- to establish the procedure for licensing and registration of financial and capital market participants as well as to licence and register the financial and capital market participants in accordance with set procedures;
- to collect and analyse information (data) relating to the financial and capital market and to publish it, as well as to engage in systemic studies, analysis and projections for the financial and capital market development;
- to ensure accumulation of the funds with the Deposit Guarantee Fund and the Fund for the Protection of the Insured, their management and payment of compensations from the Funds in accordance with the Deposit Guarantee Law and Law on Insurance Companies and Supervision Thereof;
- to ensure payment of compensations to investors in accordance with the Investor Protection Law;
- to analyze regulatory requirements pertaining to the financial and capital market, develop proposals for their improvement and harmonisation with the laws and regulations of European Community;
- to cooperate with foreign financial and capital market supervisory authorities and participate in the work of international financial and capital market supervision institutions;
- to administer the financial stability fee.

The Commission makes independent decisions within the limits of its authority, executes functions assigned to it by law, and holds responsibility for their enforcement. No one is eligible to interfere with the activities of the Commission, except the institutions and officials authorised by law. The Commission's legal ability and capacity comply with the objectives set forth in the Law on the Financial and Capital Market Commission and other laws. The Commission possesses a segregated State property and has an independent balance sheet. The Parliament of the Republic of Latvia (*Saeima*) executes supervision of the Commission.

The Commission's office is located at 1 Kungu Street in Riga.

Notes to the Financial Statements

1. Accounting Policies

Basis for Preparation of the Financial Statements

The financial statements for the reporting year were prepared based on the Financial Accounting Policy of the Financial and Capital Market Commission approved by the Commission's Board, which is developed in compliance with the International Public Sector Accounting Standards (IPSAS) used by the public sector entities in the preparation of accounting and financial statements.

The accounting principles applied in the reporting period and previous years were used consistently.

The assets and liabilities presented in the financial statements are the assets and liabilities related to ensuring the activities of the Commission. The Commission reflected revenues and expenses related to its financing in the statements of income and expenses.

Principles Applied in Preparing the Financial Statements

- The financial statements, except for the cash flow statement, are prepared in line with the principle of accrual-based accounting. It provides for recognition of transactions and events in the financial statements at the date of their occurrence, irrespective of the related cash flows. Revenues are derived on the basis of business operations performed by financial and capital market participants, which are reported and from which the payments are to be calculated. Expenses are recognised at the date of their occurrence, including accrued vacation expenses proportionate to the time period actually worked. Accrued vacation expenses shall be specified for each staff member for their paid vacation days accrued up to 31 December of the respective calendar year.
- Assets are recognised at historical cost. Assets are booked on the date of their acquisition either in the amount of paid cash or cash equivalents or at the fair value of other consideration provided plus any other costs related directly to acquisition of assets.
- Transactions and other events are reflected by taking account of the principle of substance over form, stating that transactions and events shall be recognised and disclosed according to their contents and economic substance and not only according to their legal form.
- The financial statements have been prepared on an on-going concern basis.

Long-term Investments

Long-term investments were recognised by taking as guidelines the Commission's Financial Accounting Policy, according to which those are intangible and fixed-type investments with the period of useful life over one year and they would be used for provision of services, maintenance of other fixed assets and the needs of the Commission's administration. In accordance with the Commission's Financial Accounting Policy, depreciation and amortisation rates for the Commission's long-term investments (annual interest) are as follows:

- | | |
|--|-----|
| ▪ software, licences, information systems and other intangible assets licences, if their right of use is unlimited (if the right of use is limited, then in accordance with effectiveness of the right of use intangible assets) | 20% |
| ▪ hardware, data storage devices, communications and office equipment | 20% |
| ▪ other fixed assets | 10% |
| ▪ investments in leasehold improvements (in accordance with effectiveness of the right of use of rented assets) | 20% |

Depreciation rates for the Commission's fixed assets are harmonized with depreciation rates for fixed assets set for budgetary institutions in the Republic of Latvia.

Notes to the Financial Statements

The amount of depreciation calculated for fixed assets and residual value of excluded fixed assets were presented in the Commission's statement of income and expenses, except for the fixed assets taken over from budgetary institutions (the Insurance Supervision Inspectorate, the Securities Market Commission and the Deposit Guarantee Fund Administration) on 1 July 2001, the depreciation of which was directly charged against the book value of fixed assets in the Commission's balance sheet and the Commission's equity (net assets) still in 2006. Such a method is stipulated in the Regulations No 96 of the Cabinet of Ministers of 6 March 2001 On Fixed Asset Depreciation Rates for Budgetary Institutions, as in the respective budgetary institutions fixed assets were expensed in their full value at the date of acquisition and a corresponding fixed asset fund for this amount was credited to equity. In 2014, no depreciation for those fixed assets was developed. One item was excluded from above fixed assets in 2014, and in 2013 – five items, respectively.

Accounts Receivable

The Commission steadily follows that the financial and market participants make their settlements in due time. In case of a doubtful debtor, if the debtor is no longer a participant of the financial and capital market, it has been removed from the balance sheet item Accounts Receivable thereby decreasing revenues of the Commission in that reporting period, when the debtor was excluded.

Cash

In the cash flow statement, cash and its equivalents include demand deposits in the euro.

2. Long-term investments

	Fixed assets						Total
	Intangible investments ⁴	Computers and office equipment	Other fixed assets	Prepayments for long-term investments	Investments in leasehold improvements	Expenses for fixed assets in course of construction	
Book value							
31.12.2012	136 489	98 351	66 138	17 040	16 789	4 915	339 722
Historical cost							
31.12.2012	575 257	408 420	311 824	17 040	148 750	4 915	1 466 206
Additions	36 475	50 407	58 904	11 419	7 839	-	165 044
Revaluated	-	-	1 457	-	-	-	1 457
Disposals, transfer	(388)	(38 679)	(63 653)	(14 492)	-	(4 915)	(122 127)
31.12.2013	611 344	420 148	308 532	13 967	156 589	-	1 510 580
Depreciation							
31.12.2012	438 768	310 069	245 686	-	131 961	-	1 126 484
Charge in the reporting period	47 343	40 250	9 408	-	6 288	-	103 289
Corrections, transfer	-	-	-	-	-	-	-
Reversal due to disposals	(388)	(38 122)	(45 939)	-	-	-	(84 449)
31.12.2013	485 723	312 197	209 155	-	138 249	-	1 145 324
Book value							
31.12.2013	125 621	107 951	99 377	13 967	18 340	-	365 256

⁴ Licences, software and other intangible assets.

Notes to the Financial Statements

Historical cost							
31.12.2013	611 344	420 148	308 532	13 967	156 589	-	1 510 580
Additions	142 526	69 334	16 338	3 885	4 133	-	236 216
Revaluated	-	-	-	-	-	-	-
Disposals, transfer	-	(39 402)	(8 298)	(9 890)	-	-	(57 590)
31.12.2014	753 870	450 080	316 572	7 962	160 722	-	1 689 206
Depreciation							
31.12.2013	485 723	312 197	209 155	-	138 249	-	1 145 324
Charge in the reporting period	61 197	39 664	10 403	-	7 641	-	118 905
Corrections, transfer	-	-	-	-	-	-	-
Reversal due to disposals	-	(36 834)	(8 220)	-	-	-	(45 054)
31.12.2014	546 920	315 027	211 338	-	145 890	-	1 219 175
Book value							
31.12.2014	206 950	135 053	105 234	7 962	14 832	-	470 031

Changes in long-term investments in 2014 showing their reflection in the statements:

	Calculated charge	Disposals, excluding the accrued depreciation	Total
Depreciation/amortisation, write-off of capital investments charged to the statement of income and expenses	118 905	2 639	121 544
Fixed asset write-off directly charged to the result, not included in the statement of income and expenses	-	7	7
	<u>118 905</u>	<u>2 646</u>	<u>121 551</u>

3. Due from the Market Participants to the Commission

This item contains the amounts due from the financial and capital market participants to the Commission on the date specified in the statement. The amount of liabilities has been recalculated at the end of the year in case any sector over-finances the prescribed amount of financing for the activities of the Commission for the relevant year, as stipulated in the Decision of the Commission's Board on the approval of the relevant annual budget of the Commission. In 2014 and 2013, the amount of financing, and accordingly liabilities by the end of the year, were recalculated for the financial instruments market participants and private pension funds. Pursuant to above decision, in case any sector exceeds the prescribed amount of financing for the activities of the Commission, the share of excess for each market participant is set in accordance with the proportion of its payments to the Commission, and accordingly reducing the share of payments to the Commission by this amount for relevant year and upon executing the payment it has been included in the prepayments by the market participant for financing the activities of the Commission. No recalculation of liabilities is carried out for the market participants that have made their payments in the minimum amount prescribed or it is below 100 euro (In 2013 it was 71.14 euro).

Due from different segments of financial and capital market to the Commission:

	31.12.2014	31.12.2013
Due from the monetary financial institution sector	1 237 864	1 089 291
Due from credit institutions	1 198 490	1 080 977
Due from credit unions	7 462	7 039
Payments by payment institutions	8 155	1 056
Payments by electronic money institutions	23 757	219

Notes to the Financial Statements

Due from the insurance sector	168 655	196 205
Due from life assurance companies	57 716	57 160
Due from other insurance companies	110 939	139 046
Due from the financial instruments market and private pension funds sector	109 955	160 592
Due from financial instruments market participants	54 891	110 513
Due from private pension funds	55 064	50 079
	1 516 474	1 446 089

4. Other Receivables

	<u>31.12.2014</u>	<u>31.12.2013</u>
Due for recalculated membership fees for participation in the EU organizations for the periods until restructuring of those organizations and redistribution of the European Union funding	55 114	65 237
Due remuneration for legal services	-	85 433
Due for business travel expense reimbursement	1 086	563
Other receivables	2 020	3 854
	58 220	155 087

5. Prepaid Expenses

	<u>31.12.2014</u>	<u>31.12.2013</u>
Information system maintenance and security solution services	24 255	14 189
Data base subscription fees	1 124	2 082
Periodic literature	1 886	2 015
Insurance services	56	332
Other prepaid expenses	8 819	814
	36 140	19 432

6. Funds of the Commission

This item reflects the Commission's funds that are available on demand.

7. Equity

This item represents net assets of the Commission (total result). Changes thereof are disclosed in the Statement of Changes in Equity and notes thereto.

8. Due from the Commission

This item contains payables at the end of the reporting year for the materials and services supplied to the Commission in the last month of the reporting year. At the end of 2014, the Commission's debt to the State Chancery for covering the provision of legal services is reflected additionally regarding the settlement reached within the international arbitration proceedings, where the Commission represented the State interests in Bryn Services Ltd. case. As a result of the settlement, Bryn Services Ltd. withdrew its claim in the international arbitration proceedings and any other possible further claims against the Republic of Latvia and to relevant authorities in the context of above proceedings as well as agreed to cover the costs of the proceedings to the Commission. Before, the Commission costs of legal proceedings were covered by the State Chancery, but after reaching the settlement Bryn Services Ltd. reimbursed the legal expenses incurred by the Commission, therefore the Commission was obliged to repay the costs of legal proceedings to the State Chancery. Consequently, by the end of 2014 the Commission's debt to the State Chancery was 282 372 euro.

Notes to the Financial Statements**9. Taxes**

Type of tax	Balance on 31.12.2013	Calculated for the reporting period	Paid in the reporting period	Balance on 31.12.2014
Contributions to compulsory state social insurance	336	1 300 300	(1 298 227)	2 409
Personal income tax	-	784 360	(784 360)	-
	336	2 084 660	(2 082 587)	2 409

10. Staff Remuneration and Other Payments

This item contains remuneration of the Commission's staff and members of the Consultative Council of the Financial and Capital Market, including remuneration paid for specific work done for the Commission. Expenses related to the remuneration of the Board made up 8.7% of total (compared to 9.3% in 2013). As from 2011, remuneration of the Board members has not been changed. At the end of 2014, the Commission employed 134 staff members (five employees had fixed-term contracts to the positions of employees (for unlimited period of time) who were temporarily absent for a longer period or on parental leave) (compared to 134 at the end of 2013), and there were 132 positions at the Commission by the end of 2014 (compared to 130 at the end of 2013).

	2014	2013
Staff remuneration and other similar payments	3 963 792	3 707 236
including remuneration to the members of the Commission's Board	345 393	342 807
including remuneration to the members of the Consultative Council of the Financial and Capital Market	5 229	6 125
State social insurance compulsory contributions	899 467	888 007
including social insurance compulsory contributions for the Commission's Board remuneration	54 729	82 517
including social insurance compulsory contributions for the Consultative Council of the Financial and Capital Market remuneration	1 234	1 756
	4 863 259	4 595 243
Average number of employees to whom remuneration/compensation was paid (per year)	127	124
including the number of members of the Commission's Board	5	5
including the number of members of the Consultative Council of the Financial and Capital Market*	3	3

* Representatives of non-governmental organizations (professional societies) of the financial and capital market make up the Consultative Council of Financial and Capital Market and their number was six both in 2014 and 2013.

11. Staff professional training and business trips

	2014	2013
Training and business trips abroad*	498 807	335 271
Professional training in Latvia	26 393	25 161
Working trips**	154	428
	525 354	360 860

* Includes business travel expense reimbursement related to participation in the institutions of the European Union and other international organizations, reducing above expenses by 25 616 euro in 2014, while in 2013 – by 17 576 euro.

** Includes SIA "Rīgas satiksme" e-ticket expenses for using public transport services to pay visits to the participants of the financial and capital market and business partners in Riga.

Notes to the Financial Statements**12. Telecommunication and information**

	2014	2013
Data base information	107 663	113 969
Electronic communication and correspondence services	21 199	21 137
Information inquiry services	18 418	17 171
	147 280	152 277

Data base information comprises renting the legislative databases, as well as public registers, information reference and international regulatory requirements' databases.

13. Maintenance and General Service Expenses

	2014	2013
Rent of premises and archive shelves	306 775	306 903
Maintenance of office premises and public utility fees	85 622	92 931
Expenses on the maintenance of the Commission's Internet resources, information systems and security solutions	128 687	47 770
Other maintenance and general service expenses	99 044	103 695
	620 128	551 299

A leasehold contract has been concluded for renting premises in the real estate at 1 Kungu Street, Riga, for 15 years, until 31 August 2016. As from 2013, the total area of 1 719.38 square meters has been rented by the Commission. In 2013 and 2014, the monthly rent was 12 euro per square metre exclusive of VAT for the area of 1 526.20 square meters (265 925 euro a year), but for the area of 163.92 square meters - 15 euro per square metre and for 29.26 square metres – 8 euro per square metre (39 100 euro a year). According to the contract, in the future the amount of rent will be specified upon an agreement between both parties pursuant to the changes in the consumer price index. Upon a written agreement between the Commission and the lessor, the contract may be terminated before its expiry date. The Commission has an intention to extend the contract.

14. Professional Services

	2014	2013
Expert opinions	1 006	8 665
The Commission's financial statements, quality management systems, functional audits and information systems security audits	5 854	24 533
Legal services	11 077	22 974
Other professional services	13 830	5 037
	31 767	61 209

Other professional services covered expenses for translation, consultations regarding personnel management issues, assessment of workplace environment and provision of other specific professional services.

15. Court Proceedings and Claims

When performing supervisory functions specified by the Law on the Financial and Capital Market Commission, the Commission may have become involved in court proceedings.

Theoretically, in case of any administrative action there is an option to claim damages from an institution both by appealing the institution's administrative act to the court and by initiating separate proceedings.

Currently, there are two property claims brought to the court against the Commission within the legal proceedings involving the JSC *Latvijas Krājbanka* (in liquidation), namely, the JSC *Latvijas Gāze* has claimed for compensation in the amount 395 401 euro and Mr Pilib Donall Boireil – for recovery of damages amounting to 750 000 US dollars and 75 000 euro.

The Commission holds the view that current proceedings, involving the Commission, are not related to the risks that could end in material damages to the Commission.

16. Events after the Balance Sheet Date

No events have occurred in the period between the end of the reporting year and the date when the financial statements were signed that would require any adjustments or should be clarified in the financial statement.

INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the Parliament of the Republic of Latvia:

Report on the Financial Statements

We have audited the accompanying financial statements of Financial and Capital Market Commission set out on pages 6 to 16 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014, and the statement of income and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial and Capital Market Commission Council's approved Financial and Capital Market Commission's financial accounting policy which corresponds with International Public sector accounting standard guidelines of accounting and financial statement submitting to public sector units, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Financial and Capital Market Commission as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Financial and Capital Market Commission Council's approved Financial and Capital Market Commission's financial accounting policy which corresponds with International Public sector accounting standard guidelines of accounting and financial statement submitting to public sector units.

INDEPENDENT AUDITORS' REPORT (continued)

Report on Other Legal and Regulatory Requirements

We have read the management report for 2014 set out on pages 3 to 4 of the accompanying annual report for 2014 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2014.

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THIS DOCUMENT IS SIGNED ELECTRONICALLY
WITH SECURE ELECTRONICAL SIGNATURE
WHICH CONTAINS TIME SEAL

Roberts Stūģis
Member of the Board

Riga, Latvia
29 April 2015

Inguna Staša
Certified Auditor
Certificate No. 145