

A/S LATVIJAS TILTI

ANNUAL REPORT

For 12 months period until 31 December 2013

A/S "LATVIJAS TILTI"
ANNUAL REPORT
for period until 31 December 2013

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INFORMATION ON THE COMPANY

Name of the company	LATVIJAS TILTI
Legal status of the company	Joint stock company
Number, place and date of registration	Register of the companies Nr. 50003030441 Riga, 7 October 1991 Commercial register Riga, 29 June 2004
Address	Granita street, 15 Stopinu district, Rumbula, LV- 1057 Latvia NACE2 42.91 - construction of hydrotechnical objects, 42.13 - construction of bridges and tunnels
Type of operations	
Parent company	SIA LNK (Latvijas Novitātes Komplekss) - 89,69%
Branches abroad	1) Branch in Turkmenistan founded in 2010 for realization of construction works of road crossing on motorway, that connects Turkmenbashi city airport and National tourism area "Avaza". 2) Branch in Lithuania founded in 2011 for realization of Klaipeda sea port reconstruction project.
Names and positions of the Board members	Valērijs Gorjuns - chairman of the board (until 19.06.2013) Genadijs Kamkalovs - chairman of the board (from 19.06.2013) Valērijs Gorjuns - member of the board (from 20.06.2013) Regīna Vitrjaka - member of the board Romāns Maizenbergs - member of the board Igoris Goļcovs - member of the board Andrejs Bočkarjovs - member of the board
Names and positions of the Council members	Aleksandrs Milovs - chairman of the council Vadims Milovs - vice chairman of the council Andrejs Subočs - member of the council Davids Lipkins - member of the council Jevgenijs Locovs - member of the council
Financial year	1 January, 2013 - 31 December, 2013
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

Principal activity of AS LATVIJAS TILTI is construction of bridges and other objects, production of concrete constructions.

Performance of the Company during the financial year

In 2013 the Company's net sales amounted to EUR 40 402 836. Following projects were commenced and will continue next year: "Ventspils Free Port pier Nr.12 construction, Ventspils", "Reconstruction of pier Nr.7, extending along the pier Nr.6. Reconstruction of piers Nr.8 and Nr.9 with defined construction phase - Phase I construction: reconstruction of pier Nr.8 in the northern part (90m) in Klaipeda", in Lithuania, as well as "Free Port of Ventspils 1st pier dismantling, Ventspils ". The Company as a responsible partner together with Lithuanian company "Kauno Keliai" has continued construction works in project "Reconstruction of Geležinio Vilko street from A. Goštauto street till M.K. Čiurlionio street in Vilnius, Lithuania" and continuing cooperation in September 2013 new project "The Construction of Panemunes-Sovetskask bypass road with bridge over the Neman River in Lithuania" was launched. During the reporting period the Company has finished main works in projects "The construction works of cargo-passenger terminal Nr. 80, 81 in Klaipeda's sea port", "Short-term fertilizer storage and handling complex in Riga freeport, Kundzinsala" and "Bulk handling terminal in Riga freeport, Kundzinsala".

During reporting period the Company has actively performed in all directions:

- maintenance, construction and repair works of bridges
- concrete product manufacturing
- hydro construction - construction of wharfs and piers, including construction of platforms on piles in open aquatorium.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 42

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

Distribution of profit proposed by the Board

	2013 EUR
Profit share to be distributed	126 334
Proposed profit distribution:	
Retained earnings	126 334

Future prospects

In 2013 significant attention was paid to analysis of purchase price of materials, lease of construction equipment and machinery, the steps were taken in the optimization of productivity, which will undoubtedly effect the financial results of 2014. In 2013 substantial investments were made in construction equipment, which has reduced the Company's expenses. The investments are planned to be continued in 2014. Much attention will be paid to an active market research, as well as further application of experience in Lithuania and other European Union countries. Parallel to the bridge works the focus will be put on concrete structures workload for the project needs. Reviewing the workload in connection with signed and planned contracts it can be said now that the Company's turnover in the 2014 will not decrease, but will even increase.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

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STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 28 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

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INCOME STATEMENT

	Notes	2013 EUR	2012 EUR
Net sales	(1)	40 402 836	25 150 634
Cost of sales	(2)	(39 639 440)	(24 116 512)
Gross profit or losses		<u>763 396</u>	<u>1 034 122</u>
Distribution expenses	(3)	(36 026)	(25 280)
Administrative expenses	(4)	(575 180)	(614 314)
Other operating income	(5)	676 990	389 491
Other operating expenses	(6)	(355 051)	(353 701)
Interest and similar income	(7)	78	2 048
Interest and similar expenses	(8)	(285 035)	(290 979)
Profit or losses before taxes		<u>189 172</u>	<u>141 387</u>
Corporate income tax	(9)	(41 809)	(27 296)
Other taxes	(10)	(21 029)	(21 361)
Net profit or losses		<u><u>126 334</u></u>	<u><u>92 729</u></u>
Earnings per share (in Lats)	(11)	0,19	0,14

Notes on pages 11 to 28 are an integral part of these financial statements.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

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BALANCE SHEET

		31.12.2013. EUR	31.12.2012. EUR
	Notes		
<u>ASSETS</u>			
Non-current assets			
Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights	(12)	17 465	8 507
Total intangible assets:		17 465	8 507
Fixed assets:			
Land and buildings	(12)	1 236 163	1 332 135
Equipment and machinery	(12)	4 727 734	3 999 697
Other fixed assets	(12)	1 431 629	789 182
Fixed assets under construction	(12)	444 896	-
Advances for fixed assets	(12)	9 458	3 910
Total fixed assets:		7 849 880	6 124 924
Investment property:			
Buildings	(13)	1 054 217	731 863
Investment properties under construction	(13)	-	220 983
Advances for investment properties	(13)	-	44 603
Total investment property:		1 054 217	997 449
Non-current financial investments:			
Investments in associates	(14)	16 008	18 953
Own shares	(14)	2 864	2 864
Total non-current financial investments:		18 872	21 817
Total non-current investments:		8 940 434	7 152 697
Current assets			
Inventories:			
Raw materials and consumables	(15)	2 744 198	2 286 740
Finished goods and work in progress	(16)	349 115	832 280
Advances for inventories		6 292	122 162
Total inventories:		3 099 605	3 241 182
Account receivable:			
Trade receivables	(17)	4 694 197	6 090 009
Receivables from group companies	(18)	5 073 067	2 017 125
Receivables from associates	(19)	14 344	10 672
Other receivables	(20)	713 655	883 215
Deferred expenses	(21)	61 900	86 614
Accrued income	(22)	3 754 741	1 804 894
Total receivables:		14 311 904	10 892 529
Current financial investments:			
Other securities and participation interest	(14)	-	6
Total current financial investments:		-	6
Cash and bank:	(23)	2 504 113	909 059
Total current assets:		19 915 622	15 042 776
<u>Total assets</u>		<u>28 856 056</u>	<u>22 195 473</u>

Notes on pages 11 to 28 are an integral part of these financial statements.

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BALANCE SHEET

	Notes	31.12.2013. EUR	31.12.2012. EUR
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	(24)	954 747	954 747
Reserves:			
other reserves	(25)	42 661	42 661
Retained earnings			
previous year's retained earnings		4 697 778	4 605 049
current years profit or losses		126 334	92 729
Total equity:		5 821 520	5 695 186
Liabilities:			
Non-current liabilities:			
Loans from banks	(26)	1 703 788	-
Other borrowings	(27)	2 463 465	2 108 830
Deferred income tax liabilities	(9)	229 148	187 426
Total non-current liabilities:		4 396 401	2 296 256
Current liabilities:			
Loans from banks	(26)	1 980 465	1 962 263
Other borrowings	(27)	1 093 786	795 013
Advances from customers	(28)	44 613	17 181
Trade payables	(29)	11 005 942	7 665 127
Payables to group companies	(30)	2 593 422	2 477 805
Taxes and social insurance payments	(31)	200 457	155 871
Other liabilities	(32)	244 810	210 979
Deferred income		32 260	-
Accrued liabilities	(33)	1 442 380	919 791
Total current liabilities:		18 638 135	14 204 030
Total liabilities:		23 034 536	16 500 286
<u>Total equity and liabilities</u>		<u>28 856 056</u>	<u>22 195 473</u>

Notes on pages 11 to 28 are an integral part of these financial statements.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2011.	954 747	42 661	4 605 049	5 602 457
Profit for the year	-	-	92 729	92 729
31.12.2012.	954 747	42 661	4 697 778	5 695 186
Profit for the year	-	-	126 334	126 334
31.12.2013.	954 747	42 661	4 824 112	5 821 520

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Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

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CASH FLOW STATEMENT

	Notes	2013 EUR	2012 EUR
Cash flow from operating activities			
Profit or losses before taxes		189 172	141 387
<u>Adjustments for:</u>			
depreciation of fixed, intangible assets and investment properties	(12), (13)	1 226 981	1 076 926
(profit)/losses from sales of fixed assets		(4 104)	24 890
write-off of fixed assets		26 013	-
changes in provisions		66 613	94 934
interest expenses	(8)	207 857	149 921
interest income	(7)	(78)	(2 048)
other taxes	(10)	(21 029)	(21 361)
Cash flow prior to changes in current assets and liabilities		1 691 425	1 464 650
Inventory (increase)/decrease		(212 206)	(590 318)
Account receivable (increase)/decrease		(3 481 208)	(3 109 284)
Account payable increase/(decrease)		4 116 196	2 696 665
Gross cash flow generated from operating activities		2 114 207	461 713
Corporate income tax paid	(31)	(22 766)	(214 859)
Net cash flow generated from operating activities		2 091 441	246 854
Cash flow from investing activities			
Acquisition of fixed, intangible assets and investment properties		(909 911)	(1 406 011)
Proceeds from sales of fixed assets		41 517	148 942
Loans issued		(9 001)	(1 112 158)
Loans repayment received		5 000	1 112 158
Loans interest received		78	820
Net cash flow generated from investing activities		(872 317)	(1 256 249)
Cash flow from financing activities			
Loans received		2 650 001	2 323 271
Loans repaid		(2 650 001)	(2 323 271)
Interest paid		(220 589)	(172 667)
Cash received from overdrafts, net	(26)	1 721 991	1 962 263
Finance lease payments		(1 125 472)	(909 464)
Net cash flow generated from financing activities		375 930	880 132
Net increase / (decrease) in cash and cash equivalents		1 595 054	(129 263)
Cash and cash equivalents at the beginning of the financial year		909 059	1 038 321
Cash and Cash equivalents at the end of the financial year	(23)	2 504 113	909 059

Notes on pages 11 to 28 are an integral part of these financial statements.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover method. The cash flow statement has been prepared under indirect cash flow method.

(2) Income recognition and net sales

Net sales contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them.

(3) Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company apply the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract or carrying out surveys of work performed to date. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

The Company presents as an asset the gross amount due from the customers for contract work for all contracts in progress for which costs incurred plus recognized profit (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables".

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses). Advances received from customers are included within "advances from customers".

(4) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies (including carried out by the Company's branches abroad) are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia EUR / LVL (1 EUR = LVL 0.702804) for the period from 1 January 2012 to 31 December 2013.

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Foreign currencies (continuation)

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2013.	31.12.2012.
	Ls	Ls
1 USD	0,515	0,531
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204

(5) Fixed and intangible assets

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis (except for sheet pilings, which are depreciated according to the intensity of use and the actual use in the relevant period) applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation % per annum
Intangible assets	10-40
Buildings	2-10
Technological equipment	8-30
Other machinery and equipment, transport vehicles	5-50

The Company capitalizes its fixed assets valued over EUR 213 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 213 is recognized in full after its ready for use.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is prescribed as the highest from fair value less cost to sell or value in use.

(6) Investment property

Investment property is property (land, building or part of building) held by the owner or by lessee under a finance lease to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

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Investment property (continuation)

Investment property initially recognized at costs. Subsequently investment properties are stated at cost less depreciation and impairment losses. Depreciation of buildings is calculated on a straight-line basis applying the following rates of depreciation, based on their estimated useful life:

	Depreciation % per annum
Buildings	2-10

(7) **Lease-to-buy (financial lease)**

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in income statement by method to produce a constant periodic rate of interest on the remaining balance of the liability.

(8) **Lease without redemption rights (operating lease)**

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lessor, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

(9) **Inventories**

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling expenses has not included in cost. Cost is stated on the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

The initial value of the assets obtained in construction process is determined by its estimated market value, with a corresponding reduction of cost of sales in the reporting year.

(10) **Accounts receivable**

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

(11) **Investments in group and associates, other financial investments**

Non-current financial investments, including investments in subsidiaries and associates, are stated at cost less impairment losses.

(12) **Accrued liabilities for unused annual leave**

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(13) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of appropriate country.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

(14) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

(15) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

(16) Associates

An associated company is an entity within a significant influence of the Company. The significant influence is provided by holding no less than 20% and no more than 50% of the share capital or voting rights.

(17) Related parties

Related parties are considered Group companies, Board and Council members, their close family members and Companies, in which the previously mentioned persons/Group companies have significant influence or control.

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II. OTHER NOTES

(1) Net sales	2013 EUR	2012 EUR
By operating activities		
Income from construction works	40 277 779	24 615 830
Income from services and sale of construction products	125 057	534 804
	<u>40 402 836</u>	<u>25 150 634</u>
By location		
Income from sales of goods/services in Latvia	17 209 443	13 193 617
Income from sales of goods/services in Lithuania	23 193 393	11 957 017
	<u>40 402 836</u>	<u>25 150 634</u>
(2) Cost of sales		
Raw materials and consumables	15 022 393	9 970 492
Outsourced services	16 346 910	7 443 318
Salary expenses	3 808 316	3 271 009
Depreciation of fixed assets	1 130 687	1 060 940
Social insurance	961 998	820 656
Other costs	2 369 136	1 550 097
	<u>39 639 440</u>	<u>24 116 512</u>
(3) Distribution expenses		
Transportation costs	22 511	6 012
Advertising expenses	13 515	19 268
	<u>36 026</u>	<u>25 280</u>
(4) Administrative expenses		
Salary expenses	200 709	200 953
Transportation costs	78 911	74 559
Professional service costs	61 230	45 333
Social insurance costs	46 482	47 790
Communication expenses	35 819	30 013
Office expenses	25 671	22 470
Representation costs	22 824	63 071
Cash turnover expenses	18 802	26 337
Other administrative expenses	84 732	103 788
	<u>575 180</u>	<u>614 314</u>
(5) Other operating income		
Income from leasing of investment properties (see Note 13)	273 191	85 372
Net income from other services	138 588	14 948
Income from sale of materials	108 753	114 581
Net gain from disposal of fixed and current assets	185	31 201
Received ESF project funding	-	4 800
Other income	156 273	138 589
	<u>676 990</u>	<u>389 491</u>

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	2013 EUR	2012 EUR
(6) Other operating expenses		
Expenses from sale of materials	105 705	170 599
Cost of leased investment property	104 151	12 073
Provisions for bad and doubtful debts, net change	72 892	97 216
Donations	11 383	30 592
Expenses related to the ESF project	-	8 160
Other expenses	60 920	35 061
	<u>355 051</u>	<u>353 701</u>
(7) Interest and similar income		
Interest income	78	2 048
	<u>78</u>	<u>2 048</u>
(8) Interest and similar expenses		
Interest charge, including bank's commissions for issued guarantees (see Note 40)	207 857	149 921
Net loss from sale of foreign currency	51 990	64 100
Net loss from exchange rate fluctuations	18 799	23 355
Penalties paid	6 389	53 603
	<u>285 035</u>	<u>290 979</u>
(9) Corporate income tax		
a) Components of corporate income tax		
Changes in deferred income tax	41 721	(15 669)
Corporate income tax according to the tax return	-	42 965
Corporate income tax correction for previous year	88	-
	<u>41 809</u>	<u>27 296</u>
The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:		
	2013 EUR	2012 EUR
Profit before taxes	189 172	141 387
Other taxes (real estate taxes)	(21 029)	(21 361)
Profit before corporate income tax	168 143	120 026
Theoretically calculated tax at 15% tax rate	<u>25 221</u>	<u>18 004</u>
Tax effects on:		
Non-deductible expenses for tax purposes	53 703	38 707
Non-taxable income	(21 686)	(14 651)
Tax discounts for donations and reinvested profit	(21 391)	(28 960)
Previous year's error in deferred tax and corporate tax calculation	-	9 886
Changes in classification of temporary differences	5 962	(2 913)
Other permanent differences	-	(120 835)
Changes in unrecognized deferred tax asset	-	128 058
Total corporate income tax expenses	<u>41 809</u>	<u>27 296</u>

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Corporate income tax (continuation)

	2013	2012
b) Movement and components of deferred tax	EUR	EUR
Deferred tax liabilities (asset) at the beginning of the financial year	187 426	203 095
Deferred tax charged to the income statement	41 721	(15 669)
Deferred tax liabilities (asset) at the end of the financial year	<u>229 148</u>	<u>187 426</u>

The deferred income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013.	31.12.2012.
	EUR	EUR
Temporary difference on depreciation of fixed, intangible assets and investment property	386 455	354 649
Gross deferred tax liabilities	<u>386 455</u>	<u>354 649</u>
Temporary difference on accruals for annual leave	(71 492)	(67 144)
Temporary difference on provision for doubtful receivables	(14 940)	-
Temporary difference on provision for impaired materials	(35 814)	(36 756)
Tax losses carried forward	(35 061)	(63 323)
Gross deferred tax assets	<u>(157 307)</u>	<u>(167 223)</u>
Net deferred tax liability (assets)	<u>229 148</u>	<u>187 426</u>

	2013	2012
(10) Other taxes	EUR	EUR
Real estate tax for land	3 129	3 129
Real estate tax for buildings	17 900	18 232
	<u>21 029</u>	<u>21 361</u>

(11) Earnings per Share (in Lats)

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	2013	2012
Profit attributed to shareholders of the Company (euro)	126 334	92 729
Average annual number of shares	671 000	671 000
Earnings per share (in euro)	<u>0,19</u>	<u>0,14</u>

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(12) Intangible and fixed assets

	Concessions, patents, licenses, trade marks and similar rights	Fixed assets					Total fixed assets
	Land and buildings	Equipment and machinery	Other fixed assets	Fixed assets under construction	Advances for fixed assets		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2012.	20 226	1 841 660	7 423 535	2 046 468	-	3 910	11 315 573
Additions	11 299	6 675	1 481 463	761 676	444 896	9 458	2 704 168
Disposals	(521)	(24 448)	(70 701)	(619 247)	-	-	(714 396)
Reclassified from advance payments	-	-	-	3 910	-	(3 910)	-
Reclassification from other asset items	-	-	-	360 065	-	-	360 065
31.12.2013.	31 004	1 823 887	8 834 298	2 552 872	444 896	9 458	13 665 411
Depreciation							
31.12.2012.	(11 719)	(509 525)	(3 423 839)	(1 257 286)	-	-	(5 190 650)
Calculated	(2 341)	(102 647)	(752 708)	(272 158)	-	-	(1 127 513)
Disposals	521	24 448	69 983	408 201	-	-	502 632
31.12.2013.	(13 539)	(587 724)	(4 106 564)	(1 121 243)	-	-	(5 815 531)
Net carrying amount 31.12.2012.	8 507	1 332 135	3 999 697	789 182	-	3 910	6 124 924
Net carrying amount 31.12.2013.	17 465	1 236 163	4 727 734	1 431 629	444 896	9 458	7 849 880

a) Cadastral values

Cadastral value of freehold land as at December 31, 2013 is EUR 208 257 (31.12.2012: EUR 208 257). Cadastral value for the buildings (including investment property buildings) is EUR 953 431 (31.12.2012: EUR 964 108).

b) Joint ownership of real estate

In previous year the Company has sold conditional part of it's real estate (land plot and buildings on it), that amounted to about 19% from whole real estate. In the same year parties have signed written agreement stating the Company's exclusive rights to use all buildings and on 76 200 m2 land plot's part from total 177 500 m2 land plot.

In July 2010 the additional agreement was signed on joint usage of real estate, in accordance to which parties agree on rights to use separately and independently each land plot's existing communication facilities, road and entrance area and other rights.

c) Reclassification of materials to fixed assets

In the beginning of reporting year sheet pilings and formwork in amount of EUR 360 065 were transferred to fixed assets due to the useful life estimates changes. For sheet pilings the depreciation method was chosen depending on the asset's intensity of use (annual depreciation amount is determined by the asset's expected capacity and its actual use during the relevant period). For formwork linear depreciation method was selected.

d) Fixed assets under finance lease

Net carrying amount of fixed assets acquired under finance lease as at December 31, 2013 is EUR 4 808 720 (31.12.2012 - EUR 3 561 855). The ownership of those assets will be transferred to the Company after the settlement of all lease liabilities (see Note 27).

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Intangible and fixed assets (continuation)

e) Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 26 and 40 to the financial statements.

(13) Investment property

	Buildings	Investment property under construction	Advances for investment properties	Total
	EUR	EUR	EUR	EUR
Cost				
31.12.2012.	970 283	220 983	44 603	1 235 869
Additions	221 776	-	(44 603)	177 173
Reclassified from investment property under construction	220 983	(220 983)	-	-
Disposals	(59 429)	-	-	(59 429)
31.12.2013.	<u>1 353 613</u>	<u>-</u>	<u>-</u>	<u>1 353 613</u>
Depreciation				
31.12.2012.	(238 421)	-	-	(238 421)
Calculated	(97 127)	-	-	(97 127)
Disposals	36 152	-	-	36 152
31.12.2013.	<u>(299 396)</u>	<u>-</u>	<u>-</u>	<u>(299 396)</u>
Net carrying amount 31.12.2012.	<u>731 862</u>	<u>220 983</u>	<u>44 603</u>	<u>997 449</u>
Net carrying amount 31.12.2013.	<u>1 054 217</u>	<u>-</u>	<u>-</u>	<u>1 054 217</u>

Information on pledged investment properties is disclosed in the Note 26 and 40 to the financial statements.

The Company has chosen the cost model for the evaluation of investment properties. The Company has not performed the market value evaluation of the investment properties by independent valuer, but by the management estimates it could not be lower than the cost.

The Company leases out to the group company SIA TTS (Transportation Technology Systems) metal constructions workshop premises together with painting and shot cameras. The agreement of production premises lease was signed for 5 years, till 30 June 2017. During the reporting year the rental income from investment properties was EUR 273 191 (2012: EUR 85 372) and direct investment property's operating expenses EUR 104 151 (2012: EUR 12 073).

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(14) Equity investments

a) movement of investments

	Non-current		Current		Total
	Investments in subsidiaries	Investments in associates	Own shares	Other securities and investment	
	EUR	EUR	EUR	EUR	
Cost					
31.12.2012.	-	18 953	2 864	6	21 823
Disposals	-	-	-	(6)	(6)
31.12.2013.	-	18 953	2 864	-	21 817
Changes of value of investments					
31.12.2012.	-	-	-	-	-
Revaluation	-	(2 945)	-	-	(2 945)
31.12.2013.	-	(2 945)	-	-	(2 945)
Net carrying amount 31.12.2012.	-	18 953	2 864	6	21 823
Net carrying amount 31.12.2013.	-	16 008	2 864	-	18 872

b) investments in subsidiaries

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2012.	31.12.2013.	31.12.2012.	31.12.2013.	2012	2013
		%	%	EUR	EUR	EUR	EUR
General partnership Latvijas tilti & SZMA Rīga	Stopinu district, Rumbula, Granita street 15	70	70	-	-	-	-

Principal activity of general partnership Latvijas tilti & SZMA Rīga is construction services.

In June 2011 new general partnership Latvijas tilti & SZMA Rīga was founded without share capital with 70% AS Latvijas tilti participation. General partnership was founded for the realization of project "Riga Ukrainian secondary school buildings in Riga, Visvalza Street 4, reconstruction with design", which 70% execution was ordered to the Company. During the reporting year the general partnership has not performed any activities.

c) investments in associates

Name	Address	Type of operations	Participating interest	
			31.12.2013.	31.12.2012.
			%	%
AS Transport Systems	E.Melngaiļa street 1a, Riga	Construction of roads and highways	12,5	12,5
General partnership TLTB	E.Melngaiļa street 1a, Riga	Construction of residential and non-residential buildings	25	25
Mostootrjad 17	S.Peterburg Institutskej pr.,21, Russia	Construction services	50	50
General partnership LT Celtniecība	Stopinu district, Rumbula, Granita street 15	Construction services	50	50
General partnership LNK Industries partnership	Bieķensalas street 6, Riga	Construction of residential and non-residential buildings	33	33
General partnership LNK Industries Group	Sporta street 7, k-1, Riga	Construction of residential and non-residential buildings	50	50
General partnership LNK Industries EKO	Sporta street 7, k-1, Riga	Civil engineering, construction projects	34,39	34,39

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c) investments in associates (continuation)

The Company is also a member in other general partnerships, but during the year they have not performed any activities.

Due to "Mostotrijad 17" negative equity at the end of the reporting year the Company has impaired the investment's value of EUR 2 945 till zero.

(15) Raw materials and consumables	31.12.2013. EUR	31.12.2012. EUR
Raw materials and consumables	2 905 910	2 432 732
(Provisions for impaired materials)	(238 755)	(245 034)
Spare parts and other materials	77 043	99 042
	<u>2 744 198</u>	<u>2 286 740</u>

(16) Finished goods and work in progress		
Concrete products	270 508	153 037
Metal constructions	78 607	679 243
	<u>349 115</u>	<u>832 280</u>

Considering that Company's existing inventory may be used in construction projects or sold, it is classified in a joint item "Finished goods and work in progress."

(17) Trade receivables	31.12.2013. EUR	31.12.2012. EUR
Retentions in Latvia, Lithuania and Turkmenistan	3 193 653	2 090 385
Book value of trade receivables in Lithuania	950 458	3 538 928
Book value of trade receivables in Latvia	552 306	357 795
Book value of trade receivables in Turkmenistan	439 657	493 829
(Provisions for bad and doubtful debts)	(441 877)	(390 928)
	<u>4 694 197</u>	<u>6 090 009</u>

Provisions for bad and doubtful debts have been made 20-100 % of their book value.

Part of the debts of the Turkmenistan project in amount of EUR 439 657 and part of retentions in amount of EUR 344 372 derived from rendered construction services and supplied materials in 2011. Part of the debts at the end of the 2012 became due and on the precautionary principle provisions in the amount of 20% were made.

In April 2014 within the case held in International commercial arbitration at the Russian Federation Chamber of Commerce, an amicable arrangement was signed, under which above mentioned debts will be paid by the end of 2014. The management assesses these debts as fully recoverable, as a result no additional provisions were made.

(18) Receivables from group companies	31.12.2013. EUR	31.12.2012. EUR
AS LNK Industries retentions	1 586 107	832 223
SIA TTS (Transportation Technology Systems) debt for construction services	1 203 341	-
AS LNK Industries debt for construction services	1 198 587	1 053 035
SIA TTS (Transportation Technology Systems) advance for materials	477 051	-
SIA Aviatest debt for services	495 441	99 513
SIA TTS (Transportation Technology Systems) retentions	108 937	-
Other receivables from group companies	3 603	32 355
	<u>5 073 067</u>	<u>2 017 125</u>

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	31.12.2013.	31.12.2012.
	EUR	EUR
(19) Receivables from associates		
Debts of general partnerships LT Celtniecība and TLTB	10 672	10 672
Retentions of general partnership LT Celtniecība	10 341	10 341
(Provisions for bad and doubtful debts)	(10 341)	(10 341)
Other receivables from associates	3 672	-
	<u>14 344</u>	<u>10 672</u>
(20) Other receivables		
Advance payments for works and services	618 327	436 901
(Provisions on advance payments for works and services)	(78 456)	(61 149)
Corporate income tax overpaid (see Note 31 for details)	62 973	283 127
Other receivables	111 563	6 938
(Provision for other receivables)	(5 462)	(3 771)
Current loans	4 710	632
VAT overpaid (see Note 31 for details)	-	110 735
Payments to personnel	-	105 937
Advance payments of operating lease agreements, current part	-	3 865
	<u>713 655</u>	<u>883 215</u>
(21) Deferred expenses		
Prepayments of insurance payments	46 302	69 140
Other expenses	15 598	17 474
	<u>61 900</u>	<u>86 614</u>
(22) Accrued income		
Accrued income related to construction contracts (see Note a))	3 717 894	1 756 675
Other accrued income	36 847	48 219
	<u>3 754 741</u>	<u>1 804 894</u>
a) Construction contracts		
Costs incurred and profit recognised as income	3 151 028	1 756 675
Gross amount of work-in-progress	<u>3 151 028</u>	<u>1 756 675</u>
where:		
Work-in-progress under assets (as "Accrued income")	3 717 894	1 756 675
Work-in-progress under liabilities (as "Accrued liabilities")	(566 866)	-
	<u>3 151 028</u>	<u>1 756 675</u>
Corresponding amounts:		
Contract revenue recognised in income statement (as "Net sales")	40 277 779	24 615 830
Advances received from customers (as "Advances from customers" and "Payables to group companies")	2 408 669	1 685 889
Retentions on construction contracts (as "Trade receivables", "Receivables from group companies" and Receivables from associates")	4 899 037	2 100 726
(23) Cash and bank	31.12.2013.	31.12.2012.
	EUR	EUR
Cash at bank on current accounts	2 490 327	907 876
Cash on hand	13 786	1 182
	<u>2 504 113</u>	<u>909 059</u>

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(24) Share capital

As at December 31, 2013 the registered and fully paid share capital is EUR 954 747, composed of 671 000 ordinary shares with a nominal value of EUR 1.42 each. The share capital with voting rights is EUR 951 883, without voting rights personal shares - EUR 2 864.

(25) Reserves

According to the Latvian statutory requirements the Company in the previous periods created the legal reserves. This legal requirements are no more effective in the reporting year. These reserves expected to be reclassified to retained earnings.

	31.12.2013.	31.12.2012.
	EUR	EUR
(26) Loans from banks		
Non-current		
AS Danske Bank overdraft balance *	1 703 788	-
	<u>1 703 788</u>	<u>-</u>
Current		
AS Danske Bank overdraft balance *	1 980 401	1 962 242
AS Citadele banka account balance	64	21
	<u>1 980 465</u>	<u>1 962 263</u>

* The Company has signed overdraft agreement with AS Danske Bank with overdraft limit of 1,5 millions LVL (2 million EUR) and 5 millions EUR (until November 2013 2,8 millions EUR) with repayment terms until 31 July 2014 and 1 December 2016 respectively (during current year repayment terms were prolonged from 31.07.2013 and 01.10.2013 respectively) and variable interest rates. At 31 December 2013 the Company has used overdraft facilities in amount of Ls 1 391 834 (EUR 2 1980 401) (31.12.2012: Ls 1 163 751 (EUR 1 655 868)) and EUR 1 703 788 (31.12.2012: EUR 306 365). Taking into consideration, that during reporting period EUR overdraft repayment date was set in 2016, it is classified as non-current part of loans from banks.

As security in case of claims that may arise from the signed overdraft agreements the Company has pledged all its assets as a unity at the moment of pledge as well as future components of this unity to AS Danske Banks, including real estates, mechanical transport equipment, receivables claim rights etc. The maximum amount of claims secured by mortgage commercial pledge is EUR 3 699 822.

	31.12.2013.	31.12.2012.
	EUR	EUR
(27) Other borrowings		
Non-current		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	2 463 465	2 108 830
	<u>2 463 465</u>	<u>2 108 830</u>
Current		
Liabilities according to the finance lease agreements, payable within 1 year	1 093 786	795 013
	<u>1 093 786</u>	<u>795 013</u>

As disclosed in Note 12 the Company has acquired assets under finance lease from SIA "DnB Līzings": trucks and auto vehicles, technological equipment and other fixed assets. In the financial year twenty three new financial lease agreements were concluded. Interest payments of average interest rate 3 months Euribor + 2-3% per annum are due on monthly basis. Financial lease repayment dates are starting from July 2014 until December 2018.

	31.12.2013.	31.12.2012.
	EUR	EUR
In accordance with the agreements the minimum finance lease payments are:		
Payable within 1 year	1 166 994	818 863
Payable from 2 to 5 years	2 545 589	2 277 349
Finance lease gross liabilities	<u>3 712 583</u>	<u>3 096 212</u>
Future finance costs	(155 332)	(192 369)
Present value of finance lease liabilities	<u>3 557 251</u>	<u>2 903 843</u>

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	31.12.2013. EUR	31.12.2012. EUR
(28) Advances from customers		
Advances from customers in Latvia	3 136	17 181
Advances from customers in Lithuania	41 477	-
	<u>44 613</u>	<u>17 181</u>
(29) Trade payables		
Trade payables - Latvia, EU	9 687 385	7 144 776
Retentions	1 318 452	520 246
Trade payables - Turkmenistan	105	105
	<u>11 005 942</u>	<u>7 665 127</u>
(30) Payables to group companies		
Advances from AS LNK Industries for construction services, materials	2 364 056	1 668 708
Payable to SIA TTS (Transportation technology Systems) for received works and services	222 058	383 648
Payable to SIA LNK (Latvijas Novitātes Komplekss) for received services	4 761	3 473
Payable to AS LNK Industries for received works and services	1 756	-
Payable to SIA Irbe for received services	791	-
Payable to SIA Enfort for received works and services	-	421 976
	<u>2 593 422</u>	<u>2 477 805</u>

(31) Taxes and social insurance payments

	31.12.2012. EUR	Calculated EUR	Calculated penalty and delay fees EUR	(Paid)/ repaid EUR	Transferred to/(from) other taxes EUR	31.12.2013. EUR
VAT	(110 735)	(1 336 619)	-	1 051 847	405 615	10 108
Personal income tax	24 634	535 710	1 759	(460 567)	(66 875)	34 661
Social insurance payments	14 790	1 118 632	-	(490 857)	(562 359)	80 206
Corporate income tax	(275 487)	17 164	-	(22 766)	225 525	(55 564)
Real estate tax (land)	-	3 129	-	(3 129)	-	-
Real estate tax (buildings)	142	17 900	-	(17 900)	-	142
Natural resource tax	474	2 829	-	(1 904)	(484)	915
State risk duty	173	1 174	-	(88)	(1 423)	(164)
VAT abroad	84 784	2 018 681	-	(2 074 553)	-	28 912
Corporate income tax abroad	(7 640)	-	-	-	231	(7 409)
Other taxes abroad	30 875	513 359	-	(498 719)	-	45 515
Total	<u>(237 990)</u>	<u>2 891 959</u>	<u>1 759</u>	<u>(2 518 636)</u>	<u>230</u>	<u>137 322</u>
Hereof						
(Overpaid) - see Note 20 for details		(393 862)				(63 136)
Payables		155 871				200 457

The calculated corporate income tax amount in Latvia consists of the calculated withholding tax from payments to non-residents in amount of EUR 17 076 and tax correction for previous year in amount of EUR 88.

In reporting year the Company has also used the corporate income tax allowance for reinvested profit (see Note 9 for details).

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	31.12.2013. EUR	31.12.2012. EUR
(32) Other liabilities		
Salaries	208 855	185 024
Other liabilities	35 955	25 955
	<u>244 810</u>	<u>210 979</u>
(33) Accrued liabilities		
Accrued expenses for construction contracts (see Note 22)	566 866	-
Accrued unused annual leave expenses	539 486	491 537
Accrued liabilities for guarantee expenses (see Note 40)	26 450	37 110
Other accrued liabilities	309 578	391 145
	<u>1 442 380</u>	<u>919 791</u>
(34) Fees paid to auditors	2013 EUR	2012 EUR
For the audit of financial statements	13 401	11 383
For the review of dependence statement	450	427
Remuneration for other assurance engagements	1 283	780
	<u>15 134</u>	<u>12 590</u>
(35) Average number of employees	2013	2012
Average number of employees during the financial year in Latvia	275	243
Average number of employees during the financial year in Lithuania	77	67
Average number of employees during the financial year in Turkmenistan	4	4
	<u>356</u>	<u>314</u>
(36) Remuneration to personnel	2013 EUR	2012 EUR
Employee pay in Latvia and abroad	4 009 025	3 137 946
Social insurance payments in Latvia and abroad	1 008 480	787 981
	<u>5 017 505</u>	<u>3 925 927</u>
(37) Remuneration to the management		
Board members		
· salary expenses	133 616	99 052
· other social insurance expenses	31 605	15 920
Council members		
· salary expenses	67 857	66 508
· other social insurance expenses	16 382	23 543
	<u>249 460</u>	<u>205 023</u>
(38) Transactions with related parties		

The parent company of the Company, who owns 89,69% of shares of the Company, is SIA LNK (Latvijas Novitātes Komplekss), which is registered in Latvia.

In 2013 the Company had economic transactions with the following companies that are directly or indirectly subsidiaries of SIA LNK (Latvijas Novitātes Komplekss) - SIA TTS (Transportation Technology Systems) (further TTS), SIA Irbe, SIA Aviatest, AS LNK Industries, as well as with other Company's related parties.

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Transactions with related parties (continuation)

a) claims and liabilities

	Notes	31.12.2013.		31.12.2012.	
		Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies					
AS LNK Industries	(18),(30)	2 784 695	2 365 812	1 885 258	1 668 708
SIA TTS	(18),(30)	1 789 329	222 058	32 355	383 647
SIA Aviatest	(18)	495 441	-	99 513	-
SIA Enfort	(18),(30)	2 612	-	-	421 977
GP Latvijas tilti & SZMA	(18)	990	-	-	-
SIA Irbe	(30)	-	791	-	-
SIA LNK	(30)	-	4 761	-	3 473
		<u>5 073 067</u>	<u>2 593 422</u>	<u>2 017 125</u>	<u>2 477 805</u>

b) transactions

		Sales to related parties		Purchases from related parties	
		2013 EUR	2012 EUR	2013 EUR	2012 EUR
Group companies					
SIA TTS	sale/purchase of goods	10 225	230 471	1 184 569	1 405 788
	other services	438 960	136 535	42 733	62 254
	construction services	2 339 487	25 159	363 601	-
SIA Irbe	other services	-	-	3 988	5 009
	purchase of fixed assets	-	-	-	250
SIA LNK	other services	-	-	7 847	2 490
	loan interest	-	756	8 946	1 914
	sale/purchase of goods	-	2 846	-	4 784
SIA Aviatest	other services	77	420 575	-	410
	loan interest	-	-	-	20
	construction services	409 458	171 267	-	-
SIA Celtniecības kvalitātes aģentūra	construction and other services	-	-	7 684	-
AS LNK Industries	construction services	13 963 998	8 818 428	41 286	-
	sale/purchase of goods	95 702	-	-	-
	other services	1 043	45 331	1 612	-
	loan interest	-	11	-	-
SIA Enfort	purchase/sale of goods	-	-	4 129	-
	construction services	4 121	-	16 965	532 556
	other services	2 612	-	-	-
		<u>17 265 683</u>	<u>9 851 379</u>	<u>1 683 360</u>	<u>2 015 475</u>
Other related parties					
SIA Mūkusalas biroji	loan interest	-	-	-	20
SIA Baltijas Loģistikas parks	other services	2 759	2 759	3 439	3 502
		<u>2 759</u>	<u>2 759</u>	<u>3 439</u>	<u>3 522</u>
		<u>17 268 442</u>	<u>9 854 138</u>	<u>1 686 799</u>	<u>2 018 997</u>

(39) Contingent liabilities

The Company until November 2013 was a defendant in a law suit, which has arisen from subcontractor's claim against the Company for the breach of sub-contract agreement and the total claim is EUR 89 043. In November 2013 Riga Regional Court's judgment has entered into force, by which subcontractor's claim against the Company was fully rejected.

The Company's balance sheet contains the debts of this subcontractor to the Company in amount of EUR 20 784, for which 100% provision was made.

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(40) Guarantee liabilities, guarantee issuance agreements, pledge of assets

In accordance with signed agreements with customers the Company provides free remove of work defects and in certain cases provides bank guarantees and insurance. Accruals for potential liabilities and expenses in the period of guarantee at the end of the reporting period are in amount of EUR 26 450 (31.12.2012: EUR 37 110) (see Notes 33).

The Company has signed guarantee issuance agreement with AS Danske Bank with the guarantee limit of 8 millions EUR with term until 31.07.2016 and interest rates depending on the guarantee period. In November 2013 guarantee issuance agreement was combined with the group company's AS LNK Industries guarantee issuance agreement with joint guarantee limit of 26 millions EUR and repayment term until 10 November 2020.

As security in case of claims that may arise from the signed guarantee and overdraft agreements the Company has pledged its real estate: land plot and buildings, all its assets as a unity at the moment of pledge as well as future components of this unity, as well as several Company's motor vehicles to AS Danske Bank. The maximum amount of claims secured by mortgage commercial pledge in relation to guarantee issuance agreement is EUR 10 400 001.

(41) Operating lease commitments

The Company uses several auto vehicles, received under operating lease agreements from SIA DnB Līzings. At the end of reporting period the Company has in force two operating lease agreements with repayment dates in September 2016 and July 2018. In 2013 income statement recognized the rental expenses of EUR 25 563 (2012: EUR 17 338).

In case of breaking an agreement the Company may have a duty to pay extra payments for lease object ransom or other payments in accordance with the terms of the agreement.

In accordance with the rental agreements, the Company has following non-cancellable lease liabilities:	31.12.2013.	31.12.2012.
	EUR	EUR
Payable within 1 year	9 351	9 271
Payable from 2 to 5 years	<u>27 787</u>	<u>7 252</u>
	<u>37 138</u>	<u>16 523</u>

(42) Financial risk management

Financial risks, related to the financial instruments of the Company, mainly, are foreign currency risks, interest rate risk, liquidity risk and credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Foreign currency risks

The company is subject to foreign currency exchange rate fluctuations, mainly due to its loans and other liabilities performed in LTL currency, and trade receivables in USD and LTL currency.

At the end of the year the Company has an open position in euro, but considering held in 2014 Latvian national currency changeover to the euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

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Financial risk management (continuation)

The Company's material foreign exchange open positions are:

	31.12.2013.	31.12.2012.
Financial assets, USD	865 334	1 041 566
Open position USD, calculated in euro, net	<u>634 099</u>	<u>786 950</u>
Financial assets, LTL	23 447 422	21 318 580
Financial liabilities, LTL	(17 735 035)	(10 760 749)
Open position LTL, net	<u>5 712 387</u>	<u>10 557 831</u>
Open position LTL, calculated in euro, net	<u>1 658 111</u>	<u>3 064 578</u>

Interest rate risks

The Company is subject to the interest rate risk, mainly with respect to its variable interest rate financial lease and overdraft agreements.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents.

(43) Subsequent events

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2013.

Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2014

The annual report has been approved by the general meeting of members _____ 2014
