

AS “Liepājas autobusu parks ”

ANNUAL ACCOUNTS

FOR THE YEAR

ENDED 31 DECEMBER 2013

TRANSLATION FROM LATVIAN

AS "LIEPĀJAS AUTOBUSU PARKS"
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013
TRANSLATIONS FROM LATVIAN

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Information on the Company

Name of the Company	AS "LIEPĀJAS AUTOBUSU PARKS"
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003015652 Commercial Registry Riga, September 3, 1991
Address	Cukura street 8/16, Liepāja, LV-3402 Latvia
Type of economic activities according to NACE classification	Transport, NACE2 49.31 Urban and suburban passenger land transport
Names and addresses of shareholders	Liepāja City Council (34.85%) Rožu street 6, Liepāja, LV-3401, Latvia LAP1R SIA (49.49%) Vaļņu street 4 – 5 , Riga, LV – 1050, Latvia Other private individuals (15.16%)
Names and positions of Board members	Māris Ārbergs – chairman of the board Laima Kutuzova – member of the board Oskars Špickopfs - member of the board (till 31.01.2013.)
Names and positions of Council members	Edgars Dupats- chairman of the council Ronalds Fricbergs – deputy chairman of the council Madara Šķēle - member of the council Harijs Krongorns– member of the council Mārtiņš Tīdens – member of the council
Financial year	1 January - 31 December 2013

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Management report

Type of operations

The joint stock company Liepājas autobusu parks is principally engaged in providing public passenger transportation services on urban, regional and regional inter-city routes. During the reporting year the company provided passenger transportation services to tour and sight-seeing operators as well as bus station related services.

The operations of the joint stock company Liepājas autobusu parks are ISO 9001:2008 compliant.

The Company's performance during the reporting year

In 2013, the company's net revenue totalled LVL 7 379 701 an increase of LVL 1 697 177 or 29.9 % compared to 2012. Revenue from regular passenger transportation services totalled LVL 7 365 558, an increase of LVL 1 696 301 or 29.9% compared to 2012. That is related with regular passenger transportation increased volumes in regional intercity routes "Centrs 1" A and B items and local regional transportation with contracts from January 1st 2013.

Direct revenue from regular passenger transportation services accounted for LVL 5 722 772, an increase of LVL 1 235 612 or 27.5 % compared to 2012.

In 2013, the cost of goods sold accounted for LVL 7 281 647, an increase of LVL 1 912 439 or 35.6 % compared to 2012. Cost increases were related to increased transportation volumes in regional intercity routes "Centrs 1" A and B items.

In 2013, the company carried on work involving the upgrading of production facilities and equipment as well as improving the structure of production and human resource organisation focusing on the measures aimed at improving the company's position in tenders in which passenger transportation contracts are awarded.

In 2013, the Company purchased seven used buses to be used for city passenger transportation and six used buses for intercity routes.

In 2013, the average number of employees at AS Liepājas autobusu parks was 276.

AS Liepājas autobusu parks has been making regular and timely payments on account of tax, salary and other payables.

The solvency ratio (equity/asset ratio) of AS Liepājas autobusu parks was 0.58 and 0.64 in 2013 and 2012, respectively.

The overall liquidity ratio of AS Liepājas autobusu parks (current assets/short-term liabilities) was 1.19 and 1.43 in 2013 and 2012, respectively.

In 2013, the highest and lowest price registered for the share of AS Liepājas autobusu parks at the Stock Exchange "NASDAQ OMX Riga" was LVL 3.50 and LVL 1.56 respectively, and the year's first and last transaction price was LVL 1.75 LVL and LVL 1.56, respectively.

Earnings per share were LVL -0.067 and LVL 0.27 in 2013 and 2012, respectively.

There have been no other major changes in the business strategy.

The Board of AS Liepājas autobusu parks represents that the internal risk control procedures are effective and that the internal control measures have been carried out in compliance with the relevant control procedures throughout 2012. The statement on corporate governance has been prepared and will be submitted to NASDAQ OMX Riga along with the audited financial statements.

During the period between the last day of the reporting year and the date of approving of this report there have been no significant events that would have a material effect on the year end results.

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Management report (continued)

The Group's research and development activities

During the reporting year the company carried on work involving the upgrading of production facilities and equipment as well as on improving the structure of production and human resource organisation.

The Group's exposure to risks

The company does not have a major foreign exchange exposure because its settlements occur principally in lats. The company has raised a loan in prior years; the loan has a floating interest rate therefore the company is exposed to the floating interest rate risk. The company's performance is affected by the central and local government subsidies that are granted in accordance with the Cabinet regulation.

Overseas branches and representative offices

The company does not have overseas branches or representative offices.

Events after the reporting period

During the period since the last day of the reporting period there have been no events that could materially affect the financial position of the company at 31 December 2013.

Chairman of the Board

M.Ārbergs

Member of the Board

L.Kutuzova

Liepāja, 28 February 2014

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Statement of management`s responsibility

The Management of AS Liepajas Autobusu Parks ("the Company") is responsible for preparation the Financial Statements of the Company.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant source documentation and in accordance with the requirements of the Latvian Annual Accounts Act, effective Latvian Accounting Standards and other accounting legislation and present true and fair view of the Company's assets, liabilities and financial position as at 31 December 2013 and its profit and cashflows for the year then ended.

The management of the Company confirms that consistent and appropriate accounting policies and management estimates have been used throughout the reporting period. The management of the Company has applied prudence and going concern principles in preparation of the financial statements.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating in compliance with legislation of the Republic of Latvia.

The management report contains a clear overview of the Company's business development and operational results.

Chairman of the Board

M.Ārbergs

Member of the Board

L.Kutuzova

Liepaja, 28 February 2014

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Profit or loss account for the year ended 31 December 2013

	Note	2013 LVL	2013 EUR	2012 LVL	2012 EUR
1. Net sales	1	7 379 701	10 500 368	5 682 584	8 085 589
2. Cost of sales	2	(7 281 647)	(10 360 850)	(5 369 208)	(7 639 695)
3. Gross profit		98 054	139 518	313 376	445 894
4. Selling expenses	3	(1 635)	(2 326)	(6 366)	(9 058)
5. Administrative expenses	4	(272 037)	(387 074)	(243 496)	(346 464)
6. Other operating income	5	142 213	202 351	136 949	194 861
7. Other operating expenses	6	(2 433)	(3 462)	(936)	(1 332)
8. Interest income and similar income	7	5 194	7 390	6 771	9 635
9. Interest expenses and similar expenses	8	(27 437)	(39 039)	(25 880)	(36 824)
10. Profit before taxes		(58 081)	(82 642)	180 418	256 712
11. Corporate income tax for the reporting year	9	16 101	22 910	(10 627)	(15 121)
13. Current year's profit		(41 980)	(59 732)	169 791	241 591
Profit per share		(0.067)	(0.095)	0.270	0.385

exchange rate at EUR 0.702804 31.12.2013.

exchange rate at EUR 0.702804 31.12.2012.

Notes on pages from 12 to 27 are integral part of these financial statements.

Chairman of the Board

M.Ārbergs

Member of the Board

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Liepaja, 28 February 2014

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Balance sheet as at 31 December 2013

(1)

	Note	31.12.2013 LVL	31.12.2013 EUR	31.12.2012. LVL	31.12.2012. EUR
Assets					
Long-term investments					
I. Intangible assets:					
2. Concessions, patents, licences, trade marks and similar rights		208	296	460	655
Total intangible assets:	10	208	296	460	655
II. Fixed assets:					
1. Equipment and machinery		2 026 930	2 884 062	1 618 715	2 303 224
2. Other fixed assets and inventory		51 489	73 262	48 664	69 243
3. Advances for fixed assets		1 710	2 433	97 193	138 293
Total fixed assets:	11	2 080 129	2 959 757	1 764 572	2 510 760
III. Long-term financial investments.					
1. Participating interest in subsidiaries	12	1 268 100	1 804 344	1 268 100	1 804 344
2. Loans to subsidiaries	14	24 788	35 270	41 192	58 611
Total long-term financial investments		1 292 888	1 839 614	1 309 292	1 862 955
Total long-term investments:		3 373 225	4 799 667	3 074 324	4 374 370
Current assets					
I. Stock:					
1. Raw materials and consumables		131 052	186 470	112 584	160 192
Total stock:	13	131 052	186 470	112 584	160 192
II. Debtors:					
1. Trade debtors	15	402 873	573 237	505 524	719 296
2. Accounts receivable from related parties	14	29 651	42 190	16 892	24 035
3. Other debtors	16	60 678	86 337	29 637	42 170
4. Deferred expenses	17	31 183	44 369	16 671	23 721
5. Accrued income	18	47 255	67 237	4 066	5 784
Total debtors:		571 640	813 370	572 790	815 006
III. Short term financial investments:					
1. Other securities and participating interest	19	-	-	70 280	100 000
Total short term financial investments:		-	-	70 280	100 000
IV. Cash and bank:	20	503 071	715 806	392 040	557 822
Total current assets:		1 205 763	1 715 646	1 147 694	1 633 020
Total assets		4 578 988	6 515 313	4 222 018	6 007 390

Notes on pages from 12 to 27 are integral part of these financial statements.

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Balance sheet as at 31 December 2013

(2)

	Note	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
<u>Liabilities</u>					
Shareholders' funds:					
1. Share capital	21	627 441	892 768	627 441	892 768
2. Share premium		230	327	230	327
3. Retained earnings					
a) prior years' retained earnings		2 064 597	2 937 657	1 894 806	2 696 066
b) current year's profit		(41 980)	(59 732)	169 791	241 591
Total shareholders' funds:		2 650 288	3 771 020	2 692 268	3 830 752
Creditors:					
Long-term creditors:					
1. Loans from credit institutions	22	342 228	486 947	590 907	840 785
2. Other borrowings		446 728	635 637		
3. Deferred tax liability	29	122 539	174 357	138 640	197 267
Total long-term creditors:		911 495	1 296 941	729 547	1 038 052
Short-term creditors:					
1. Loans from credit institutions	22	248 679	353 838	246 896	351 301
2. Other borrowings		85 126	121 123		
3. Trade creditors	23	277 535	394 897	250 919	357 026
4. Accounts payable to related parties	24	87 293	124 207	37 657	53 581
5. Taxes and social insurance	25	89 975	128 023	78 814	112 142
6. Other creditors	26	85 744	122 003	71 546	101 801
7. Deferred income	27	41 952	59 692	39 367	56 014
8. Accrued liabilities	28	100 901	143 569	75 004	106 721
Total short-term creditors:		1 017 205	1 447 352	800 203	1 138 586
<u>Total liabilities and shareholders funds</u>					
		4 578 988	6 515 313	4 222 018	6 007 390

Notes on pages from 12 to 27 are integral part of these financial statements.

Chairman of the Board

M.Ārbergs

Member of the Board

L.Kutuzova

Liepaja, 28 February 2014

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Statement of changes in equity for the year ended 31 December 2013 (LVL)

	Share capital LVL	Share premium LVL	Prior years' retained earnings LVL	Current year's profit LVL	Total LVL
As at 31 December 2011	627 441	230	1 366 276	528 530	2 522 477
Transfer of prior year's profit	-	-	528 530	(528 530)	-
Profit for the year	-	-	-	169 791	169 791
As at 31 December 2012	627 441	230	1 894 806	169 791	2 692 268
Transfer of prior year's profit	-	-	169 791	(169 791)	-
Profit for the year	-	-	-	(41 980)	(41 980)
As at 31 December 2013	627 441	230	2 064 597	(41 980)	2 650 288

Statement of changes in equity for the year ended 31 December 2013 (EUR)

	Share capital EUR	Share premium EUR	Prior years' retained earnings EUR	Current year's profit EUR	Total EUR
As at 31 December 2010	892 768	327	1 944 036	752 030	3 589 161
Transfer of prior year's profit	-	-	752 030	(752 030)	-
Profit for the year	-	-	-	241 591	241 591
As at 31 December 2011	892 768	327	2 696 066	241 591	3 830 752
Transfer of prior year's profit	-	-	241 591	(241 591)	-
Profit for the year	-	-	-	(59 732)	(59 732)
As at 31 December 2012	892 768	327	2 937 657	(59 732)	3 771 020

Notes on pages from 12 to 27 are integral part of these financial statements.

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Cash flow statement for the year ended 31 December 2013

	Note	2013 LVL	2013 EUR	2012 LVL	2012 EUR
I Cash flow from operating activities					
1. Profit before taxes		(58 081)	(82 642)	180 418	256 712
Adjustments for:					
a) fixed assets depreciation		519 920	739 779	498 230	708 917
b) intangibles write-off		252	359	493	701
c) provision (except provisions for doubtful debts)		26 558	37 789	(3 556)	(5 060)
d) other interest income and similar income		(5 194)	(7 390)	(6 771)	(9 634)
e) interest payments and similar payments		27 437	39 039	25 880	36 824
f) net profit on fixed assets disposal		(49 025)	(69 756)	(10 829)	(15 408)
2. Profit before adjustment of working capital and short-term liabilities		461 867	657 178	683 865	973 052
Adjustments for:					
a) trade debtors' increase or decrease		27 297	38 842	(244 031)	(347 225)
b) stock increase or decrease		(18 468)	(26 278)	6 914	9 838
c) trade creditors' increase		103 535	147 317	90 430	128 670
3. Gross cash flow from operating activities		574 231	817 057	537 178	764 335
4. Corporate income tax payments		(13 431)	(19 112)	(19 863)	(28 263)
5. Net cash flow from operating activities		560 800	797 946	517 315	736 072
Cash flow from investing activities					
1. Investments in subsidiaries and associates		-	-	(600 000)	(853 723)
2. Acquisition of fixed assets and intangibles		(297 935)	(423 923)	(190 917)	(271 650)
3. Proceeds from sales of fixed assets and intangibles		86 353	122 869	18 038	25 666
4. Loans issued		3 696	5 259	(16 000)	(22 766)
5. Term deposits placement/closed		70 280	100 000	(70 280)	(100 000)
6. Interest payments received		5 186	7 379	6 701	9 535
7. Net cash flow from investing activities		(132 420)	(188 416)	(852 458)	(1 212 938)
Cash flow from financing activities					
1. Repaid loans		(246 896)	(351 301)	(245 133)	(348 793)
2. Expenses related to the buyout of a leased assets		(43 016)	(61 206)	-	-
3. Interest payments received		(27 437)	(39 039)	(25 880)	(36 824)
4. Net cash flow from financing activities		(317 349)	(451 546)	(271 013)	(385 617)
Net cash flow of the reporting year		111 031	157 984	(606 156)	(862 483)
Cash and cash equivalents at the beginning of the reporting year		392 040	557 822	998 196	1 420 305
Cash and cash equivalents at the end of reporting year	20	503 071	715 806	392 040	557 822

Notes on pages from 12 to 27 are integral part of these financial statements.

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Notes

Accounting policies

(a) General principles

Annual accounts are prepared in accordance with the laws of the Republic of Latvia "On Accounting" and "Annual Accounts Act", as well as the Cabinet of Ministers regulations "On Annual Accounts Act application" (Nr. 488) and effective Latvian Accounting Standards.

The profit and loss account is prepared in accordance with the turnover module. The cash flow statement has been prepared using direct cash flow method. The method has been changed in order to unify the methods of cashflow preparation of all the companies of the group and ensure more efficient comparability and control of the relevant data. The accounting policies used by the Company are consistent with those used in the previous accounting period.

(b) Accounting principles applied

Financial statements are prepared in accordance with the following accounting principles:

- a) going concern principle;
- b) methods of valuation are applied consistently with those used in prior years;
- c) the valuation of assets is performed prudently:
 - only revenues earned as at the balance sheet date are included in the annual report;
 - the Company has made provisions for all the expenses and potential losses arising from its past operations and that can be assessed with adequate precision as at the balance sheet date. The expenses and losses referring to the reporting year are recognised if they have become known also between the balance sheet date and the date of signing of the annual report;
 - all the losses arising from permanent decrease in value and depreciation have been recognised irrespective of the fact whether the Company operates profitably or not;
- d) all the revenues and expenses referring to the accounting year have been recognised irrespectively of the date of actual cash inflows/outflows. Revenues and expenses matching principle has been observed;
- e) assets and liabilities are presented gross;
- f) the opening balances are reconciled with the closing balances of the previous period;
- g) all the items that may affect decision making of the report users have been disclosed adequately; immaterial items are grouped and additional information is presented in the notes to the annual report;
- h) the transactions are presented in accordance with their economic substance, substance over form principle is observed.

(c) Net sales

Net sales represent the total of goods and services sold during the year net of value added tax.

Other income is accepted as following:

- income from rent – on accruals basis;
- income from fines and penalties – on cash basis;
- income from services - on accruals basis;
- income from insurance remuneration – on cash basis;

Expenses are recognised in accordance with the accruals principle in the period they refer to, irrespectively of the date of the invoice and actual cash outflows. Loan financing expenses are recognised in the period they refer to and are represented in the profit and loss items "Interest and similar payments".

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Notes (continued)

Accounting policies (continued)

(d) Foreign currency translation into Lats

AS "LIEPĀJAS AUTOBUSU PARKS" maintains its accounts in Latvian Lats. All transactions denominated in foreign currencies are converted to Lats at the exchange rate set by the Bank of Latvia prevailing on the day on which the transactions took place.

Assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of the reporting period. The resulting profit or loss is charged to the profit and loss account.

	31.12.2013	31.12.2012
	Ls	Ls
1 EUR	0.702804	0.702804

(e) Intangible and tangible fixed assets

All intangibles and fixed assets are recorded at historic cost net of depreciation. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years	%
Software	5	20
Plant and equipment	5	20
Motor vehicles	3 - 8	6-33
Computers and equipment	3	33.33
Other fixed assets	5	20

Low value inventory is recorded at cost and expenses at the moment actual utilisation is started.

(f) Stock

The stock is recorded at the lower of cost and net realisable value. The stock value is accounted for using the weighted average method. Where required, slow moving, obsolete or damaged stock has been written down.

(g) Accounts receivable

Accounts receivable are recorded in the balance sheet at their net value less provisions made to cover anticipated loss on bad and doubtful accounts receivable. Specific provisions for doubtful accounts receivable are made when the recoverability of the specific debtor is considered by the Company's management to be uncertain. A general provision for doubtful accounts receivable is made in addition to the specific provisions based on accounts receivable ageing.

(h) Finance leases

Leases of assets under which the Company has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the inception of the lease at the present value of the minimum lease payments. Interest element of leasing payments is charged to the profit and loss account over the lease period.

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Notes (continued)

Accounting policies (continued)

(i) Operating leases

The Company as a lessee

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any financial incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

The Company as a lessor

Assets that are leased out under operating lease terms are recorded within fixed assets at historic cost less depreciation. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life using rates set for similar assets of the Company. Rental income from operating lease including advances received is recognised on a straight-line basis over the period of the lease.

(j) Investments in subsidiary undertakings and associated companies

Investments in subsidiary undertakings and associated companies are stated at cost value that is adjusted in case of permanent diminution in value.

In case reliable evidence exists that the value of the investment in subsidiary undertaking or associated company has decreased, loss from diminution in value is calculated as a difference between the carrying value and the recoverable value of the respective investment. The recoverable value is equal to the larger of two amounts – fair value of the investment net of disposal costs and value in use. Loss from permanent diminution of value can be reversed if in subsequent periods the estimates supporting the initial recognition of diminution of value change.

(k) Subsidies and donations

Subsidies relating to the purchase of specific assets are recorded as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

(l) Taxation

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

Deferred tax is provided for using liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from different fixed asset depreciation rates, as well as tax losses carried forward. Where an overall deferred taxation asset arises, it is only recognised in the financial statements where its recoverability is foreseen with reasonable certainty.

(m) Provisions for unused annual leave

Amount of provision for unused annual leave is determined by multiplying the average wage of employees in the reporting year per day by the amount of accrued but unused annual leave at the end of the reporting year.

(n) Originated loans

Originated loans are recognised at the moment when cash is paid out to the borrower. Originated loans are stated at amortized cost using the effective interest method. Interest income is recognised in the profit and loss account using the effective interest rate method.

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Notes (continued)

Accounting policies (continued)

(o) Borrowings

Borrowings are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds net of any transaction costs and the redemption value is gradually recognised in the profit and loss account or capitalised to fixed assets under construction according to fixed assets accounting policy over the period of borrowings.

(p) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days.

(q) Related parties

Related parties are defined as shareholders of the Holding Company, members of the Board of Directors, their close relatives and companies in which they have a significant influence or control.

(s) Impairment of value of assets

Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

(t) Risk management

Financial risks

The main financial risks of the Company are related to currency, liquidity, credit and interest rate risks.

Currency risk

Currency risk is related to foreign currency denominated liabilities included in the Company's balance sheet.

Interest rate risk

The Company is subject to interest rate risk, as it has received both long and short term financing. The Company's policy is to manage this risk by concluding the agreements with at least partially fixed interest rates.

Credit risk

The Company is subject to credit risk related to accounts receivable, loans issued and cash balances. The Company controls its credit risk by client evaluation procedures (credit terms for each customer are set individually). The Company performs regular debtors' monitoring procedures in order to minimise bad debt origination.

Liquidity risk

The Company monitors its liquidity risks by way of ensuring adequate and sufficient finance resources.

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Notes (continued)

Accounting policies (continued)

(u) Earnings per share

Earnings per share are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

(v) Significant assumptions and estimates

The preparation of financial statements in accordance with Latvian law requires the management to rely on estimates and assumptions that affect the reported amounts of assets and liabilities and off-balance sheet assets and liabilities at the date of financial statements, as well as the revenues and expenses reporting in the reporting period. Actual results may differ from these estimates.

The following judgements and key assumptions concerning the future are critical, and other causes of inaccuracies in the calculations as at the date of financial statements, with a significant risk of causing a material change in the balance sheet value of assets and liabilities within the next financial year.

- The company reviews the useful lives of their property, plant and equipment at the end of each reporting period. The management makes estimates and uses assumptions with respect to the useful lives of property, plant and equipment. These assumptions may change and the calculations may therefore change.
- The company reviews the value of property, plant and equipment and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. Impairment loss is recognised in the amount equalling the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of an asset's fair value less the costs to sell and the value in use. The company is of the view that considering the anticipated volumes of services no material adjustments due to impairment are required the asset values.
- In measuring inventories the management relies on its expertise, past experience, background information, and potential assumptions and possible future circumstances. In assessing the impairment of the value of inventories consideration is given to the possibility to sell the item of inventories and the net realisable value.
- The Group's management, based on estimates, make provisions for the impairment of the value of receivables. The Group's management is of the opinion that the provisions for receivables presented in the financial statements accurately reflect the expected cash flows from these receivables and that these estimates have been made based on the best available information.
- The Group is composed with caution savings potential future payment obligations in cases where disputes the validity of such legal obligation, or there are legal disputes about the amount of such liabilities.

(w) Subsequent events

Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

(x) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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Notes (continued)

(1) Net sales

Net sale distribution by income types

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Income from passenger transportation	5 736 916	8 162 896	4 500 488	6 403 618
Grants	1 642 785	2 337 472	1 182 096	1 681 971
	7 379 701	10 500 368	5 682 584	8 085 589

Net sale distribution by geographical markets and operating activity types

Passenger transportation – Latvia	7 365 558	10 480 245	5 669 257	8 066 626
Irregular passenger transportation	14 143	20 123	13 327	18 963
	7 379 701	10 500 368	5 682 584	8 085 589

(2) Cost of sales

Fuel and oil materials expenses	2 357 626	3 354 600	1 873 369	2 665 564
Spare parts and tires	393 741	560 243	479 445	682 189
Salary expenses	1 685 066	2 397 633	1 360 441	1 935 733
Social insurance	397 607	565 744	320 055	455 397
Increase/(decrease) of provisions for unused annual leaves	26 558	37 789	(2 866)	(4 078)
Depreciation of fixed assets	520 172	740 138	498 723	709 619
Current bus repair and materials	266 266	378 862	120 495	171 449
Public facilities and rent	119 401	169 892	123 189	175 282
Business trip expenses	18 702	26 610	20 476	29 135
Outsourced services	319 751	454 964	129 726	184 583
Vehicle insurance	28 434	40 458	28 589	40 678
IT expenses	25 707	36 578	21 362	30 395
Bus rent	630 200	896 694	34 736	49 425
Technical assistance and bus maintenance services	194 181	276 295	203 118	289 011
Other cost of sales	298 235	424 350	158 350	225 313
	7 281 647	10 360 850	5 369 208	7 639 695

In 2012 accounts rental expense for premises and parking in the total amount of LVL 38 334, as well as urban buses rental expense in the amount of LVL 14 586 were included in the Cost of sales item „Other cost of sales”. Preparing 2013 accounts the respective expenses are included under „Public facilities and rent” and „Bus rent” respectively. The comparatives are duly reclassified.

In 2012 accounts technical assistance and vehicles maintenance expenses in the amount of LVL 203 118 were included in the Cost of sales item „Other cost of sales”. Preparing 2013 accounts the respective expenses are included under „Technical assistance and bus maintenance services”. The comparatives are duly reclassified.

(3) Selling expenses

Advertising	1 635	2 326	6 366	9 058
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(4) Administrative expenses

Salary expenses	185 159	263 458	167 631	238 517
Social insurance	42 437	60 382	38 214	54 374
Transportation costs and business trip expenses	9 222	13 122	9 819	13 971
Communication expenses	4 136	5 885	3 930	5 592
Audit expense*	5 360	7 627	3 895	5 542
Legal services	10 647	15 149	8 927	12 702
Other administrative costs	15 076	21 451	11 080	15 766
	272 037	387 074	243 496	346 464

* During the year the Company has not received any additional services from the Auditor.

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Notes (continued)

(5) Other operating income

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Revenues from fixed assets rent	2 873	4 088	3 971	5 650
Insurance remuneration	15 189	21 612	5 732	8 156
Bus station revenues from ticket sales and parking facilities	55 319	78 712	65 132	92 674
Penalties received	-	-	35 018	49 826
Income from advertising	5 229	7 440	7 116	10 125
Proceeds from fixed assets disposal	49 025	69 756	10 829	15 409
Other income	14 578	20 743	9 151	13 021
	142 213	202 351	136 949	194 861

(6) Other operating expenses

Penalties paid	780	1 110	81	115
Net loss on exchange rate fluctuations	354	504	9	13
Non-business expense	957	1 362	791	1 126
Other expenses	342	486	55	78
	2 433	3 462	936	1 332

(7) Interest income and similar income

Bank interest	858	1 221	3 361	4 782
Interest received from subsidiaries	4 336	6 169	3 410	4 852
	5 194	7 390	6 771	9 634

(8) Interest expenses and similar expenses

Interest on loan	27 437	39 039	25 880	36 824
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(9) Corporate income tax and deferred tax

Deferred tax (see Note 29)	(16 101)	(22 910)	(4 581)	(6 518)
Corporate income tax for the year	-	-	15 208	21 639
	(16 101)	(16 101)	10 627	15 121

Corporate income tax differs from the theoretically calculated tax amount:

Profit before tax	(58 081)	(82 642)	180 418	256 711
Theoretically calculated tax at a tax rate of 15 %	(8 712)	(12 363)	27 063	38 507
Expenses not deductible for tax purposes	(7 389)	(10 547)	(5 576)	(7 934)
Other adjustments	-	-	(10 860)	(15 452)
Total tax expense	(16 101)	(22 910)	10 627	15 121

As at 31 December 2013 the Company had tax losses amount to LVL 211 887 (incurred in 2013), which it can carry forward and utilise in future years. In accordance with the law "On Corporate Income Tax" tax losses originated after 2007 can be carried forward for unlimited time period.

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Notes (continued)

(10) Intangible assets

	Concessions, patents, trade marks and similar rights
	LVL
Cost	
31.12.2012	4 550
Disposals	(2 884)
31.12.2013	1 666
Depreciation	
31.12.2012	4 090
Charge for 2013	252
Disposals	(2 884)
31.12.2013	1 458
Net book value 31.12.2013	208
Net book value 31.12.2012	460

	Concessions, patents, trade marks and similar rights
	EUR
Cost	
31.12.2012	6 473
Disposals	(4 104)
31.12.2013	2 369
Depreciation	
31.12.2012	5 818
Charge for 2013	359
Disposals	(4 104)
31.12.2013	2 073
Net book value 31.12.2013	296
Net book value 31.12.2012	655

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Notes (continued)

(11) Fixed assets

	Equipment and machinery LVL	Other fixed assets and inventory LVL	Advances for fixed assets LVL	Total LVL
Cost or revalued value				
31.12.2012	4 330 962	107 006	97 193	-
Acquisitions	852 215	20 590	-	872 805
Disposals	(346 444)	(20 778)	-	(367 222)
Reclassifications	95 483	-	(95 483)	-
31.12.2013	4 932 216	106 818	1 710	5 040 744
Depreciation				
31.12.2012	2 712 247	58 342	-	-
Charge for 2013	502 161	17 765	-	519 926
Disposals	(309 122)	(20 778)	-	(329 900)
31.12.2013	2 905 286	55 329	-	2 960 615
Net book value as at 31.12.2013	2 026 930	51 489	1 710	2 080 129
Net book value as at 31.12.2012	1 618 715	48 664	97 193	1 764 572

	Equipment and machinery EUR	Other fixed assets and inventory EUR	Advances for fixed assets EUR	Total EUR
Cost or revalued value				
31.12.2012	6 162 404	152 256	138 293	6 452 953
Acquisitions	1 212 593	29 297	-	1 241 890
Disposals	(492 945)	(29 565)	-	(522 510)
Reclassifications	135 860	-	(135 860)	-
31.12.2013	7 017 912	151 988	2 433	7 172 333
Depreciation				
31.12.2012	3 859 180	83 013	-	3 942 193
Charge for 2013	714 511	25 277	-	739 788
Disposals	(439 841)	(29 564)	-	(469 405)
31.12.2013	4 133 850	78 726	-	4 212 576
Net book value as at 31.12.2013	2 884 062	73 262	2 433	2 959 757
Net book value as at 31.12.2012	2 303 224	69 243	138 293	2 510 760

Fixed assets of the Company are pledged as a loan collateral (see Note 22).

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Notes (continued)

(12) Participating interest in subsidiary

	Participating interest in subsidiary LVL	Participating interest in subsidiary EUR
Cost		
31.12.2012	1 268 100	1 804 344
31.12.2013	1 268 100	1 804 344

(a) participating interest in share capital of the subsidiary

Name	Investments in subsidiaries at cost				Investments in subsidiaries (share of share capital)	
	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR	31.12.2013 %	31.12.2012 %
LAP serviss SIA	668 100	950 621	668 100	950 621	100	100
Baltic Taxi SIA	500 000	711 435	500 000	711 435	68.12	68.12
Rumba Tours SIA	100 000	142 288	100 000	142 288	100	100
	1 268 100	1 804 344	1 268 100	1 804 344		-

(b) information on subsidiaries

Name	Address	Type of operations
LAP serviss SIA	Cukura iela 8/16, Liepāja, LV 3414	Real estate management and servicing of transport vehicles
Baltic Taxi SIA	Cukura iela 8/16, Liepāja, LV 3414	Taxi services
Rumba Tours SIA	Šampētera iela 139A, Rīga, LV 1046	International tourism transportation services

(c) Information on group company financials

Name	Equity		Equity	
	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
LAP serviss SIA	725 737	1 032 631	700 909	997 304
Baltic Taxi SIA	(427 673)	(608 524)	(464 005)	(660 220)
Rumba Tours SIA	125 628	178 753	100 000*	142 288*

*SIA Rumba Tours first reporting period - 15 months from 28 September 2012 to 31 December, that is why equity data are provided in the value of initial investment.

Nosaukums	Profit/(loss)		Profit/(loss)	
	2013 LVL	2013 EUR	2012 LVL	2012 EUR
SIA LAP Serviss	668 100	950 621	668 100	950 621
SIA Baltic Taxi	500 000	711 435	500 000	711 435
SIA Rumba Tours	100 000	142 288	100 000	142 288

* SIA LAP serviss first reporting period - 15 months from 14 October 2011 to 31 december 2012, that is why comparatives are not provided, but 2012 result refers to 15 months of operations.

**SIA Rumba Tours first reporting period - 15 months from 28 September 2012 to 31 December, that is why operational results for 2012 are not provided.

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Notes (continued)

(13) Stock

	31.12.2013 LVL	31.12.2013 LVL	31.12.2012 LVL	31.12.2012 LVL
Fuel, grease	70 684	100 574	61 025	86 830
Spare parts	53 801	76 552	40 555	57 705
Materials	6 567	9 344	5 437	7 736
Bus ticket			5 567	7 921
	131 052	186 470	112 584	160 192

(14) Receivables from related parties

Loans to subsidiary with repayment term up to 5 years	24 788	35 270	41 192	58 611
Total long-term receivables from subsidiary	24 788	35 270	41 192	58 611
Short-term loans to subsidiary	29 112	41 423	488	694
Other receivables	539	767	16 404	23 341
Total short-term receivables from subsidiary	29 651	42 190	16 892	24 035
Total receivables from subsidiary	54 439	77 460	58 084	82 646

(15) Trade debtors

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Trade debtors gross	282 873	402 492	347 002	493 740
Security related the rights on publicē transportation service provision	120 000	170 745	158 522	225 556
	402 873	573 237	505 524	719 296

(16) Other debtors

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012. LVL	31.12.2012. EUR
VAT overpaid (see Note 26)	30 182	42 945	15 458	21 995
Corporate income tax overpaid	26 483	37 683	13 052	18 571
Advances to employees	4 013	5 709	1 127	1 604
	60 678	86 337	29 637	42 170

(17) Deferred expenses

Insurance	17 762	25 273	12 848	18 281
Annual leave pay for January of the following year	1 716	2 441	486	692
Bus station services	7 505	10 679	-	-
Rent of city bus	1 582	2 251	1 582	2 251
Other expenses	2 617	3 724	1 755	2 497
	31 183	44 369	16 671	23 721

In 2012 accounts subscription fees, fuel, transportation licence, advertisement and taxi coupon expenses in the amount of LVL 1 775 were disclosed separately.. Preparing 2013 accounts the respective expenses are included under „Other expenses” The comparatives are duly reclassified.

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Notes (continued)

(18) Accrued income

Kurzemes planning region	-	-	3 246	4 619
Road Transport Administration	36 371	51 751	-	-
Interest accrued	79	112	71	101
Insurance benefit	10 805	15 374	749	1 064
	47 255	67 237	4 066	5 784

(19) Other securities

Term deposits with maturity in excess of
3 months post balance sheet date

-	-	70 280	100 000
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(20) Cash and bank

Cash in transit	11 415	16 242	15 122	21 517
Cash at bank	491 566	699 436	375 978	534 968
Cash in hand	90	128	940	1 337
	503 071	715 806	392 040	557 822

(21) Share capital

As at 31 December 2013 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of Ls 1,00 each.

(22) Loans from credit institutions

	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	LVL	EUR	LVL	EUR
Loan from AS Swedbank – long-term part	342 228	486 947	527 655	750 785
Loan from AS NORDEA – long-term part	-	-	63 252	90 000
Total long-term part:	342 228	486 947	590 907	840 785
Loan from AS Swedbank – short-term part	185 427	263 839	183 644	261 301
Loan from AS NORDEA – short-term part	63 252	89 999	63 252	90 000
Total short-term part:	248 679	353 838	246 896	351 301
Total loans from credit institutions	590 907	840 785	837 803	1 192 086

In 2008 the Company received additional loan in the total amount of EUR 409 000, thereby increasing its liabilities to AS Swedbank. The maturity of the loan is 19 February 2015. The loan is repayable according to the repayment schedule in quarterly payments of EUR 46 940, starting from 19 August 2008. On 19 May 2015 the Company has to repay any remaining principal of the loan. Interest payment is set at 3 months EURIBOR + 0.8% p.a. payable once a month.

The loan is secured by Commercial pledge:

1. All fixed assets of commercial pledge issuer, unless pledge of such assets is otherwise restricted, as a whole and any additions to the noted assets in future;
2. All intangible assets of commercial pledge issuer, rights of claim, securities, bonds and other participating interests, stock, unless pledge of such assets is otherwise restricted, as a whole and any additions to the noted assets in future.

On 12 September 2011 the Company received a loan in accordance with the loan agreement number 11-033894-IN in the amount of LVL 447 367, thus increasing its liabilities towards AS Swedbank. The loan is repayable according to the repayment schedule in monthly payments on the 12th date of each months starting with the month following the issuance of the loan. The deadline for loan disbursement – 12 November 2011. The maturity of the loan – 12 September 2019. Interest payment is set at fixed rate of 3.35% p.a. payable once a month on the 12th date commencing the month following the final disbursement of the loan. The lender has the right to change the fixed interest rate once in two years.

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Notes (continued)

(22) Loans from credit institution (continued)

The loan is secured by a commercial pledge, in accordance with the agreement number 033894-IN/1. The pledged assets are:

1. MAN LIONS REGIO, year of production - 2011., chassis number: WMAR12ZZ7BTO17335, state registration number HS4003.
2. MAN LIONS REGIO, year of production– 2011., chassis number WMAR12ZZ0BTO17337, state registration number HS4005.
3. MAN LIONS REGIO, year of production– 2011., chassis number WMAR12ZZ9BTO17336, state registration number HS4006.
4. MAN LIONS REGIO, year of production– 2011., chassis number WMAR12ZZ2BTO17338, state registration number HS4038.

As at 30 October 2009 the Company received loan from Nordea Bank Finland Plc in amount of EUR 450.000 (four hundred fifty thousand). The maturity of the loan is 30 October 2014. The loan is repayable according to the repayment schedule in quarterly payment, starting from 30 January 2010. Interest payment is set at 3.465%, that consist of base rate 3 months EURIBOR and floating rate of 2,8%.

The loan is secured by Commercial pledge:

Movable property – transport vehicles (3 buses) belonging to the borrower: VOLVO 8700 /B7 R. Amount of the commercial pledge EUR 585 000 (five hundred eighty five thousand).

(23) Other borrowings

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Finance lease obligations with a term of 1 – 5 years	446 728	635 637	-	-
Borrowings with maturity a term of 1 than 5 years:	446 728	635 637	-	-
Finance lease obligations with a term of up to 1 year	85 126	121 123	-	-
Total current borrowings:	85 126	121 123	-	-
Total other borrowings:	531 854	756 760	-	-

(24) Trade creditors

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Short-term creditors for received spare parts, materials and fuel	214 683	305 467	189 048	268 991
Other creditors (transportation services income in accordance with the agreement)	62 852	89 430	61 871	88 035
	277 535	394 897	250 919	357 026

(25) Payables to related parties

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Payables to subsidiary	87 293	124 207	37 657	53 581

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Notes (continued)

(26) Taxes and social insurance

	VAT LVL	CIT LVL	NRT LVL	SSC LVL	PIT LVL	ERD LVL	Total LVL
Liability, 31.12.2012.	-	-	222	50 341	28 194	57	78 814
(Overpaid) 31.12.2012.	(15 458)	(13 052)	-	-	-	-	(28 510)
Charge for 2013	(374 556)	-	802	640 991	338 084	920	606 241
Fines	29	-	-	3	-	-	32
Transfer to other takses	314 572	2 610	-	(317 182)	-	-	-
Paid in 2013	45 231	(16 041)	(780)	(315 651)	(335 125)	(901)	(623 267)
Liability, 31.12.2013	-	-	244	58 502	31 153	76	89 975
(Overpaid) 31.12.2013	(30 182)	(26 483)	-	-	-	-	(56 665)

	VAT EUR	CIT EUR	NRT EUR	SSC EUR	PIT EUR	ERD EUR	Total EUR
Liability, 31.12.2012.	-	-	316	71 629	40 116	81	112 142
(Overpaid) 31.12.2012.	(21 995)	(18 571)	-	-	-	-	(40 566)
Charge for 2013	(532 945)	-	1 141	912 048	481 051	1 309	862 604
Fines	41	-	-	4	-	-	45
Transfer to other takses	447 596	3 713	-	(451 309)	-	-	-
Paid in 2013	64 358	(22 824)	(1 110)	(449 131)	(476 840)	(1 282)	(886 829)
Liability, 31.12.2013	-	-	347	83 241	44 327	108	128 023
(Overpaid) 31.12.2013	(42 945)	(37 682)	-	-	-	-	(80 627)

* See Note 16.

(27) Other creditors

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Salaries	77 938	110 896	64 457	91 714
Deductions from salaries	1 647	2 343	1 666	2 371
Bus station revenue	6 159	8 764	5 423	7 716
	85 744	122 003	71 546	101 801

(28) Deferred income

Monthly ticket sales for January of the following year	-	-	348	495
Loss coverage for January of the following year	41 952	59 692	39 019	55 519
	41 952	59 692	39 367	56 014

(29) Accrued liabilities

Provisions for annual leave	77 655	110 493	55 940	79 595
Provisions for annual leave- social insurance	18 319	26 065	13 476	19 175
Accrued liabilities for audit expenses	1 898	2 701	1 948	2 772
Other accrued liabilities	3 029	4 310	3 640	5 179
	100 901	143 569	75 004	106 721

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(30) Deferred tax liability

Deferred tax liability at the beginning of the reporting year

Decrease of deferred tax liability during the reporting year (see Note 9)

Atlikā nodokļa saistības pārskata gada beigās

138 640	197 267	143 221	203 785
(16 101)	(22 910)	(4 581)	(6 518)
122 539	174 357	138 640	197 267

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial and tax purposes:

Temporary difference on fixed assets

depreciation

Temporary difference on provisions for unused annual leave, bonuses and other provisions

Tax loss

Deferred tax liability

168 718	240 064	149 052	212 082
(14 396)	(20 484)	(10 412)	(14 815)
(31 783)	(45 223)	-	-
122 539	174 357	138 640	197 267

(31) Average number of employees

Average number of employees during the reporting year:

2013	2012
276	234

(32) Management remuneration

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Board members' remuneration*:				
- salary	9 350	13 304	13 200	18 782
- social insurance	2 252	3 204	3 180	4 525
Total	11 602	16 508	16 380	23 307
Council members' remuneration:				
-salary	35 612	50 671	38 770	55 165
- social insurance	6 411	9 122	7 171	10 203
Total	42 023	59 793	45 941	65 368

* The schedule presents the remuneration of the board members paid for fulfilment of the duties of board members additionally to salaries set.

(33) Related parties transactions

During the year the Company performed the following transactions with SIA LAP Serviss:

Goods and services sold:	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Fixed assets and material sale	548	780	7 921	11 271
Interest on loans charged	3 053	4 344	3 409	4 851
Rental and other services	3 273	4 657	3 617	5 146
Total	6 874	9 781	14 947	21 268
Services received	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Technical assistance and bus maintenance	183 959	261 750	203 073	288 946
Rental and other services	85 591	121 785	100 532	143 044
Rental	48 060	68 383	15 120	21 514
Other services	73 389	104 423	22 480	31 986
Total	390 999	556 341	341 204	485 490

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Notes (continued)

(33) Related parties transactions (continued)

In 2012 accounts service expenses in the amount of LVL 22 480 were included in the under „Rental and related services”. Preparing 2013 accounts the respective expenses are included under „Other services”. The comparatives are duly reclassified.

During the year the Company performed the following transactions with SIA Rumba Tours:

Goods and services sold:	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Vehicle rental	11 335	16 128	287	408
Fixed assets and material sale	39 857	56 711	-	-
Interest on loans charged	1 354	1 927	-	-
Other services	6 127	8 718	-	-
Total	58 673	83 484	287	408

Saņemti pakalpojumi:

Transport rent	121 952	173 522	-	-
Other service	792	1 127	-	-
Total	122 744	174 649	-	-

During the year the Company performed the following transactions with SIA Baltic Taxi:

Goods and services sold:	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Material sale	52	74	-	-
Transportation services, advertising	465	662	1 025	1 458
Total	517	736	1 025	1 458

Services received	2013	2013	2012	2011\2
	LVL	EUR	LVL	EUR
Airport coupons	2 694	3 833	612	871
Total	2 694	3 833	612	871

All the transactions are performed at market rates. For mutual settlements status see Notes 14 and 25.

(34) Guarantees

The Company has received Guarantee No. 11-042217-GF issued on 09 November 2011. The amount and currency of the guarantee is LVL 120,000 (one hundred twenty thousand Latvian lats). The guarantee is secured on the funds of LVL 120,000 (one hundred twenty thousand Latvian lats). The guarantee is effective until 1 April 2014. The recipient of the guarantee is the Liepāja City Municipality agency Liepāja sabiedriskais transports (Registration No.90009569239).

(35) Subsequent events

During the period since the last day of the reporting period there have been no events that could materially affect the financial position of the company at 31 December 2013.