

Joint stock company
Liepājas autobusu parks
Consolidated financial
statements
for the period ended on September 30, 2014

NONAUDITED

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

CONTENTS

Information on the Group	3
Management report	4
Statement of management's responsibility	5 – 6
Consolidated income statement	7
Consolidated balance sheet	8 – 9
Consolidated statement of changes in equity	10
Consolidated cash flow statement	11
Notes to the financial statements	12 - 17

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Information on the Group

The Group's parent company

Name of the company	Liepājas autobusu parks
Legal status of the company	Joint stock company
Registration number, place and date	40003015652, Riga, 3 September 1991
Address	Cukura iela 8/16, Liepāja, LV 3402, Latvia
Full name and address of the shareholders	Liepāja City Council (34.85%), Rožu iela 6, Liepāja, LV – 3401, Latvia LAP1R SIA (49.99%), Vaļņu iela 4-5, Rīga, LV – 1050, Latvia Other natural persons (15.16 %)
Given name, surname and position of the Board members	Leonīds Krongorns - Chairman of the Board (since 25.08.2014) Māris Ārbergs - Member of the Board (since 25.08.2014) Laima Kutuzova - Member of the Board
Given name, surname and position of the Council members	Edgars Dupats - Chairman of the Council Ronalds Fricbergs - Deputy Chairman of the Council Madara Šķēle-Dupate - Member of the Council Mārtiņš Tīdens – Member of the Council Harijs Krongorns – Member of the Council
Reporting period	1 January 2014 - 30 September 2014

Consolidated subsidiaries

Parent company	Subsidiaries	Share of investment in the subsidiary as at 30.09.2014	Date of investment	Registered office of the subsidiaries	Type of operations of the subsidiary
AS Liepājas autobusu parks	LAP Serviss SIA	100%	14.10.2011	Cukura iela 8/16, Liepāja, LV 3402, Latvia	Real estate facility management and motor vehicle maintenance services
AS Liepājas Autobusu parks	SIA Rumba Tours	100%	28.09.2012	Cukura iela 8/16, Liepāja, LV 3402, Latvia	Transport services
AS Liepājas Autobusu parks	SIA Baltic Taxi	68.12%	20.09.2012	Šampētera iela 139A, Rīga, LV 1046, Latvia	Taxi services
SIA Baltic Taxi	SIA Baltic Taxi Auto	100%	01.02.2012	Šampētera iela 139A, Rīga, LV 1046, Latvia	Taxi services

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Management report of AS "Liepājas autobusu parks"

Type of operations

The joint stock company AS "Liepājas autobusu parks" is principally engaged in providing public passenger transportation services on urban, regional and regional inter-city routes. During the reporting period the Group's subsidiaries provided passenger transportation services to tour and sight-seeing operators, taxi services, bus station related services and real estate facility management services.

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

The operations of the Group's companies in first nine months of 2014

During the first nine months of 2014, the Group's net revenue reached EUR 11 442 954, where of the revenue of AS "Liepājas autobusu parks" and the subsidiary companies of AS "Liepājas autobusu parks" accounted for EUR 8 126 110 and EUR 3 316 844, respectively.

By setting up and acquiring companies the Group seeks to expand its operations in the transport industry and has an aim to become a leading transport company in Latvia in the future. In 2014, the Group will continue implementing the strategy that was successfully commenced in 2012.

In first nine months of 2014, the solvency ratio (equity/assets ratio) of the Group was 0.37 which suggests that the equity of the Group accounts constitutes almost 40% of their total assets.

In first nine months of 2014, the Group's quick liquidity ratio (cash/short-term liabilities) is 0.69 which suggests that it is able to pay almost 70% of short term liabilities with funds.

In first nine months of 2014, the overall liquidity ratio of the Group (current assets/short-term liabilities) is 1.18

The Group's solvency, quick liquidity and overall liquidity ratios concludes that the Group is capable of covering all of current liabilities within a short term and that the liabilities (including bank loans and leases) account for 63% of the Group's total assets; the remainder is represented by the Group's equity.

In first nine months of 2014, the average number of the Group's employees was 545.

During the first nine months of 2014, the highest and lowest price registered for the share of AS "Liepājas autobusu parks" at the Stock Exchange "NASDAQ OMX Riga" was EUR 2.87 and EUR 1.66 respectively, but first and last was EUR 1.66 and EUR 2.87, respectively.

The Group's net earnings per share in first six months of 2014 was EUR 0.646, in 2013 EUR 0.288.

In 2014, the Group's parent 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. To develop and expand company's types of transportation services, Group's parent company has concluded the cooperation agreement with AS "Air Baltic Corporation" on provision of bus services for "airBaltic" passengers flying to and from the international airport "Riga".

SIA Baltic Taxi is performing business providing good quality taxi services in Riga, territories near Riga and in Liepāja. SIA Baltic Taxi is progressively improving and developing range of services and its quality. SIA Baltic Taxi is maintaining its brand's recognisability and determine quality of taxi services in Latvia. Customers approve opportunity to use new and modern motor vehicle fleet and pleasant service. The motor vehicle fleet is regularly restored to provide its high quality standards.

During the reporting period SIA Baltic Taxi carried on its economic operations and successfully delivered on the objectives set by its shareholders. SIA Baltic Taxi is developing franchising to involve new partnership enterprises. At the end of the reporting period it had 166 motor vehicles, which generally are provided from partner companies.

Vehicle fleet's management program and control processes of SIA Baltic Taxi are being optimised and renewed to continue expanding market share – to increase quantity of customers, but don't decrease quality.

**AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014**

Management report of A/S Liepājas autobusu parks (continued)

SIA LAP service is primarily engaged in providing real estate facility management services and providing vehicle maintenance services, as well as the provision of transport services.

The main activities of SIA "Rumba Tours" represent bus and minivan rental for irregular passenger and tourism transportation, offering busses of various comfort levels in line with the client's requirements.

SIA „Baltic Taxi Auto" provides vehicle rental services to its parent company.

The Group's research and development activities

During the reporting period the Group's companies carried on the 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 Group's companies does not have a major foreign exchange exposure because its settlements occur principally in euro. The Group's companies has raised loans in prior years; the loans have a floating interest rate therefore the Group's companies are exposed to the floating interest rate risk.

Overseas branches and representative offices

The Group does not have overseas branches or representative offices.

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

**AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014**

Statement of management's responsibility

The management of AS Liepājas Autobusu Parks ("the joint stock company") is responsible for the preparation of the 9 months consolidated financial statements.

Based on the information available to the Board of the joint stock company, the consolidated financial statements are prepared on the basis of the relevant primary documents and in accordance with the requirements of the Consolidated Annual Accounts Act of the Republic of Latvia, the effective Latvian Accounting Standards and other requirements set out in the regulatory requirements and present a true and fair view of the Group's assets, liabilities and financial position as at 30 September 2014 and its profit and cash flows for 2014.

The management of the Group confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the Group confirms that the financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the Group confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the Group is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Group is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Group's business development and operational performance.

Chairman of the Board

L.Krongorns

Member of the Board

L.Kutuzova

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Consolidated income statement for 1 January to 30 September 2014

	Notes	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
		EUR	EUR
Revenue	1	11 442 954	10 929 338
Cost of goods sold	2	<u>(10 435 150)</u>	<u>(10 207 343)</u>
Gross profit		1 007 804	721 995
Selling expense	3	(49 569)	(22 376)
Administrative expenses	4	(666 456)	(644 015)
Other operating income	5	291 193	347 869
Other operating expenses	6	(46 579)	(93 328)
Other interest and similar income	7	159	1 275
Interest and similar expenses	8	<u>(157 014)</u>	<u>(111 004)</u>
Profit before taxes		379 538	200 416
Profit for the reporting year		379 538	200 416
Minority share		25 766	(19 950)
Profit for the reporting year after minority share		405 304	180 466
Basic earnings per share		0.646	0.288

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Consolidated balance sheet as at 30 Septembris 2014

	Notes	30.09.2014 EUR	30.09.2013 EUR
Assets			
Non-current investments			
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights		21 743	680
Goodwill		1 151 553	1 151 553
Total intangible assets		1 173 296	1 152 233
Property, plant and equipment:			
Land plots, buildings and perennial plantings		218 388	213 462
Plant and machinery		2 645 744	3 032 464
Other property, plant and equipment		3 115 372	3 109 645
Advance payments for property, plant and equipment		156 261	59 118
Total property, plant and equipment:		6 135 765	6 414 689
Investment properties:		697 246	680 443
Non-current financial investments			
Investments in associated companies		-	1 423
Other securities and investments		1 357	1 357
Deferred tax asset		158 018	171 228
Total non-current financial investments		159 375	174 008
Total non-current assets:		8 165 682	8 421 373
Current assets			
Inventories:			
Raw materials, basic materials and consumables	9	196 857	226 756
Total inventories:		196 857	226 756
Trade and other receivables:			
Trade receivables	10	842 438	740 868
Other receivables	11	98 276	289 876
Prepayments	12	126 698	210 621
Accrued income	13	978	112 161
Receivables:		1 068 390	1 353 526
Cash:	14	1 790 037	921 097
Total current assets:		3 055 284	2 501 379
Total assets		11 220 966	10 922 752

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Consolidated balance sheet as at 30 Septembris 2014

	Notes	30.09.2014 EUR	30.09.2013 EUR
<u>Equity and liabilities</u>			
Equity:			
Share capital	15	878 417	892 768
Share premium account		327	327
Retained earnings b/f		3 031 925	2 960 050
Profit for the reporting year		405 304	180 466
Minority interest		(214 248)	(190 632)
Total equity:		4 101 725	3 842 979
Provisions			
Other provisions	16	41 905	28 344
Liabilities:			
Non-current liabilities:			
Borrowings from credit institutions	17	339 994	575 658
Other borrowings	18	3 925 049	3 922 545
Deferred tax liabilities		217 244	223 749
Total non-current liabilities:		4 482 287	4 721 952
Current liabilities:			
Borrowings from credit institutions	17	235 663	353 198
Other borrowings	18	765 826	414 590
Trade payables		814 527	827 057
Taxes and mandatory national social insurance contributions		201 650	164 366
Other payables	19	143 357	146 744
Deferred income	20	222 502	189 988
Accrued liabilities	21	211 524	233 534
Total current payables:		2 595 049	2 329 477
Total liabilities		7 077 336	7 051 429
<u>Total equity and liabilities</u>		11 220 966	10 922 752

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Consolidated statement of changes in equity year ended 30 September 2014

	Share capital	Share premium account	Prior year retained earnings	Profit for the reporting year	Minority interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2012	892 768	327	2 696 066	263 984	(210 582)	3 642 563
Retained earnings b/f	-	-	263 984	(263 984)	-	-
Profit for the reporting year	-	-	-	57 524	22 100	79 624
As at 31 December 2013	892 768	327	2 960 050	57 524	(188 482)	3 722 187
Denomination of shares	(14 351)	-	14 351	-	-	-
Retained earnings b/f	-	-	57 524	(57 524)	-	-
Profit for the reporting year	-	-	-	405 304	(25 766)	379 538
As at 30 September 2014	878 417	327	3 031 925	405 304	(214 248)	4 101 725

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Consolidated cash flow statement for 1 January to 30 September 2014

	Note	01.01.2014 – 30.09.2014 EUR	01.01.2013 – 30.09.2013 EUR
<u>Cash flows from operating activities</u>			
Profit before taxes		379 538	200 416
Adjustments:			
depreciation		1 245 109	1 153 838
creation of provisions (except for provisions for doubtful debts)		(31 463)	(841)
other interest income and similar income		(159)	(1 275)
interest expenses and similar expenses		157 014	111 004
profit on the investment and disposal of property, plant and equipment		(154 180)	(177 425)
increase of receivables		43 942	(120 994)
(increase)/decrease of inventories		(4 846)	(51 827)
increase in trade and other payables		243 972	625 364
Corporate income tax expense		-	(16 754)
Net cash flows from operating activity		1 878 927	1 721 506
<u>Cash flows from investing activities</u>			
Purchase of property, plant and machinery and intangible assets		(86 048)	(495 648)
Proceeds from sale of fixed assets and intangible assets		275 392	257 617
Term deposits deployed/closed		-	100 000
Interest received		265	1 275
Net cash flows from investing activities		189 609	(136 756)
<u>Cash flows from financing activities</u>			
Repayment of borrowings		(307 347)	(682 152)
Expenses related to the buyout of a leased asset		(805 372)	(1 058 470)
Interest paid		(135 740)	(111 004)
Net cash flows from financing activities		(1 248 459)	(1 851 626)
Net cash flows for the reporting year		820 077	(266 876)
Cash and cash equivalents at the beginning of the reporting year		969 960	1 187 973
Cash and cash equivalents at the end of the reporting year	14	1 790 037	921 097

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes

(1) Net revenue

Net revenue by type of revenue

	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
Revenue from passenger transportation	6 226 276	6 191 171
Subsidies	1 893 277	1 752 065
Taxi services	3 145 713	2 879 685
Facility management and other services	177 688	106 417
	<u>11 442 954</u>	<u>10 929 338</u>

(2) Cost of goods sold

Cost of fuel and lubricants	(2 877 821)	(3 051 243)
Cost of spare parts, tools and tires	(382 505)	(623 164)
Salaries and wages	(2 118 810)	(2 257 240)
National social insurance mandatory contributions	(489 701)	(534 212)
Reduction in the provisions for unused annual leaves	32 864	-
Depreciation of property, plant and equipment	(1 245 109)	(1 153 838)
Cost of regular repairs of buses and materials	(498 048)	(512 773)
Public facilities and rent	(155 011)	(174 236)
Business trips and work-related travel costs	(40 374)	(23 245)
Services provided by business partners	(348 621)	(340 597)
Insurance of motor vehicles	(203 398)	(205 669)
Software licence lease	(26 872)	(27 350)
Transport lease	(1 087 021)	(514 202)
Real estate tax	(11 413)	(15 522)
Other operating expenses	(983 310)	(774 052)
	<u>(10 435 150)</u>	<u>(10 207 343)</u>

(3) Selling expense

Advertising	<u>(49 569)</u>	<u>(22 376)</u>
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AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes (continued)

(4) Administrative expenses	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
Salaries	(307 641)	(298 813)
National social insurance mandatory contributions	(69 811)	(68 422)
Communication	(82 873)	(70 273)
Business trips and work-related travel costs	(16 172)	(11 449)
Audit fee*	(4 781)	(7 719)
Legal services	(88 271)	(41 354)
Accounting services	(45 862)	(53 214)
Increase/(decrease) of provisions for unused annual leaves	(1 401)	(841)
Other administrative costs	(49 644)	(91 930)
	<u>(666 456)</u>	<u>(644 015)</u>
 (5) Other operating income		
Proceeds from insurance relating to the motor vehicles that were damaged in accidents	19 186	10 146
Bus ticket and bus station entry permit revenue	18 143	59 120
Revenue from advertisements placement	36 355	10 468
Revenue from sale of property, plant and equipment	154 180	177 425
Other income	63 329	90 710
	<u>291 193</u>	<u>347 869</u>
 (6) Other operating expenses		
Fines	(4 379)	(23 089)
Net losses on foreign exchange fluctuations	(217)	(3 990)
Other expenses	(41 983)	(66 249)
	<u>(46 579)</u>	<u>(93 328)</u>
 (7) Other interest and similar income		
Bank interest	<u>159</u>	<u>1 275</u>
 (8) Interest and similar expenses		
Interest on the borrowings	<u>(157 014)</u>	<u>(111 004)</u>

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes (continued)

(9) Inventories

	30.09.2014	30.09.2013
	EUR	EUR
Fuel, lubricants	96 477	116 512
Spare parts	86 867	74 520
Materials	13 418	11 863
Bus tickets	-	12 279
Advances paid for goods	95	11 582
	<u>196 857</u>	<u>226 756</u>

(10) Trade receivables

The carrying value of trade receivables	893 740	716 504
Provisions for bad and doubtful trade receivables	(51 302)	24 364
	<u>842 438</u>	<u>740 868</u>

(11) Other receivables

Overpaid taxes	71 673	113 313
Guarantee collateral in accordance with the regulations on the awarding of the contract to provide public transport services	-	170 745
Other receivables	25 893	-
Amounts receivable in respect of advances to employees	710	5 818
	<u>98 276</u>	<u>289 876</u>

(12) Prepayments

Insurance	68 635	73 931
Passenger transportation licences	198	4 286
Bus station services	-	10 471
Lease of the bus	2 251	2 251
Other expensess	55 614	119 682
	<u>126 698</u>	<u>210 621</u>

(13) Deferred income

Ministry of Transport	-	111 639
Other deferred income	978	522
	<u>978</u>	<u>112 161</u>

(14) Cash on hand and in bank

Cash in transit	13 297	22 673
Cash in bank	1 766 846	894 658
Cash on hand	9 894	3 766
	<u>1 790 037</u>	<u>921 097</u>

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes (continued)

(15) Share capital

As at 30 September 2014 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of EUR 1.40.

(16) Provisions

	30.09.2014	30.09.2013
	EUR	EUR
Provisions for contingent liabilities	<u>41 905</u>	<u>28 344</u>

(17) Borrowings from credit institutions

Borrowing from AS Swedbank	339 994	553 158
Borrowing from AS NORDEA	-	22 500
<i>Total non-current liabilities:</i>	<u>339 994</u>	<u>575 658</u>
Borrowing from AS Swedbank	213 163	263 197
Borrowing from AS NORDEA	22 500	90 001
<i>Total current borrowings:</i>	<u>235 663</u>	<u>353 198</u>
Total borrowings from credit institutions	<u>575 657</u>	<u>928 856</u>

(18) Other borrowings

Borrowing from SIA Baltic Airlines	245 937	228 196
Borrowings with a maturity term of more than 5 years	<u>245 937</u>	<u>228 196</u>
Borrowing from SIA JS Advisory	-	142 287
Borrowing from SIA Baltijas aviācijas sistēmas	476 544	443 781
Finance lease obligations with a term of 1 – 5 years	3 202 568	3 108 281
Borrowings with a maturity term of 1 than 5 years	<u>3 679 112</u>	<u>3 694 349</u>
Borrowing from SIA JS Advisory	100 000	-
Finance lease obligations with a term of up to 1 year	665 826	414 590
Total current borrowings:	<u>765 826</u>	<u>414 590</u>
Total non-current borrowings and finance lease obligations	<u>3 925 049</u>	<u>3 922 545</u>
Total current borrowings and finance lease obligations	<u>765 826</u>	<u>414 590</u>
Total other borrowings	<u><u>4 690 875</u></u>	<u><u>4 337 135</u></u>

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes (continued)

(19) Other payables

	30.09.2014 EUR	30.09.2013 EUR
Salaries and wages	132 504	137 596
Withholdings from salaries and wages	2 567	2 813
Other payables	8 286	-
Revenue of bus stations	-	6 335
	<u>143 357</u>	<u>146 744</u>

(20) Deferred income

Revenue of monthly tickets	773	98 379
Offsetting of losses	221 729	91 609
	<u>222 502</u>	<u>189 988</u>

(21) Accrued liabilities

Provision for annual the leave costs	125 476	133 350
NSIMC - provision for the annual leave costs	29 610	30 940
Accrued liabilities for the audit costs	4 027	3 344
Other accrued liabilities	52 411	65 900
	<u>211 524</u>	<u>233 534</u>

(22) Information by segment and revenue

Based on the nature of the services the Group's operations can be divided as follows.

EUR, thousand	Passenger transportation		Taxi services		Facility management and other services		Total	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Assets	6 268	5 932	3 615	3 695	1 338	1 296	11 221	10 923
Assets of the segment	(3 869)	(3 676)	(3 136)	(3 142)	(114)	(262)	(7 119)	(7 080)
Income	8 221	7 980	3 146	2 879	76	70	11 443	10 929
Net performance of the segment	413	99	(80)	62	47	39	380	200
Net financial income (expenses)	(59)	(33)	(95)	(73)	(3)	(4)	(157)	(110)
Profit/(loss) before taxes	413	99	(80)	62	47	39	380	200
Other information								
Purchases of property, plant and equipment and intangible assets (NBV)	3 764	4 053	1 919	1 860	1 172	1 183	6 855	7 096
Depreciation and amortisation during the reporting period	(649)	(580)	(538)	(518)	(58)	(56)	(1 245)	(1 154)

(23) Off-balance sheet assets and liabilities

On 24 January 2012 the subsidiary of the Group acquired, under an assignment transaction, a right to demand the payment of LVL 597,383 (EUR 850,000) against a legal person. Remuneration for the assignment is directly related to the recovered amount. The defendant is also one of the Company's creditors, the Company is therefore of the opinion that the rights to demand the payment will be realised profitably. During the reporting period the proceeds of the assignment remuneration is not received.

AS LIEPĀJAS AUTOBUSU PARKS
CONSOLIDATED FINANCIAL STATEMENTS FOR 1 JANUARY TO 30 SEPTEMBER 2014

Notes (continued)

(24) Litigations

The subsidiary of the group is involved in litigations, which connected with the claims of the former employees of the company against the company. The Company has submitted counterclaims. The total value of former employee claims amounts to EUR 363 thousand, counterclaims submitted – EUR 33 thousand. The current stage of litigation differs in each specific case. The Company has made a provision in amount of EUR 14 223 for potential litigation expenses as considers the claims to be ungrounded.

The subsidiary of the Group has submitted a claim against the State Revenue Service (SRS) in connection with SRS charge for additional tax liabilities. SRS rejected the application and determined to pay the estimated tax payments in the state budget. The Company has submitted an additional claim against the SRS for EUR 74 thousand additional tax charges. A provision of 100% for the charged amounts is made based on prudence principle.