# Acme Corporation SIA

# Un-audited condensed consolidated Interim Financial Statements

for six months ended 30 June 2013

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## REPORT OF THE MANAGEMENT

Acme Corporation SIA (hereinafter - 'the Company' or 'Acme Corporation') and its subsidiaries (hereinafter - 'the Group') invest in the operation and management of rental real estates (offices, retail and land development) in Latvia. Acme Corporation currently is the parent for four Latvian registered limited liability companies - Apex Investments SIA (grocery anchored retail real estate), Neatkarīgā patentu aģentūra SIA (office anchored real estate), Tukuma Projekts SIA (DIY anchored retail real estate) and Big Truck SIA (logistic development).

The recovery trend in the global economy is now clearly showing positive signs in the Latvian economy. For the year ended 2012 the Central Statistical Bureau of Latvia http://www.csb.gov.lv/ indicates an increase of 5.6% in Gross Domestic Product growth.

In both office and retail segments rents appear to have stabilized. Delinquent rents are being well managed at the moment by our property manager; we do not anticipate delinquents to increase in the second half of the year 2013.

In January 2013 management has made the decisions to apply consumer price inflation adjustments to all rental contracts were possible. We have applied the full Latvian inflation rate of 2.3%.

As expected, rent at Vienibas Gatve has reset from an over-let rate of €15.77 to €7.00 per meter. The new rate falls within budgeted estimate of €7.00 to €9.00 per meter. The new rent will become effective 1 August 2013. The new lease agreement is agreed for a ten year period with all normal terms and conditions. Additionally the property will require a capital expenditure of €150,000 to refresh and eliminate functional obsolete components. The budget for 2013 and 2014 had planned for this reduction in gross revenue and corresponding cash flow.

Unexpectedly, Rimi has given notice that they do not want to continue as long term tenants at Slokas iela. Rimi points out that there is very strong competition along Kurzemes Prospekts and even though the Super Netto format is a steep discounter that retailers along Kurzemes Prospekt are currently selling at or below cost, making the Slokas store unprofitable. We are very disappointed in the way that Rimi handled the notification for this property. In April and May 2013 Rimi continued to indicate verbally that they planned to resign for three to five years with the same terms and conditions. The short notice provides management with no opportunity to repurpose the property prior to Super Netto vacating. After intense pressure applied by management Rimi has agreed to extend the lease until 28 February 2014 at €1.00 per meter. Management is hopeful that this will allow time to repurpose the property, ideas include: furniture, large format second hand clothes, hardware, self-storage units. The budget for 2013 and 2014 had not planned for this reduction in gross revenue and corresponding cash flow. Nevertheless this does not result in further impairment of Slokas property.

The office sector is fully let. For our offices gross rent has settled to a market rate of €10.00 to €11.00 per square meter per month.

During March 2013 SIA H.B.I purchased 100% shares in SIA Muižas Parks, which was landlord of 2/5 of the Group's land plot carried in the property development segment. SIA H.B.I. is wholly owned by the shareholders of Acme Corporation.

In April 2009 Acme Corporation has issued a bond with an 8% YTM and an equity participation of 25% when exiting April 2013. The bond was successfully listed with NASDAQ OMX Riga in August 2010. Whilst the bond is listed it has demonstrated a significant level of illiquidity. At the request of the majority bondholder change in the terms of the prospectus for the Acme Bond was made. As of 31 January 2013 YTM was changed from 8% to 3% and the term of the bonds was prolonged from 30 April 2013 to 30 October 2022. At close of June 2013 Acme Corporation made two requests to Bondholders – (1) to restructure the loan agreement with Swedbank and (2) to transfer certain assets and liabilities from Apex Investments to Acme Corporation. Both requests were approved by Bondholders. Acme Corporation has made all coupon payments on the bonds.

**REPORT OF THE MANAGEMENT** (continued)

According to our current loan documents with our Senior lender the loan should have been repaid on 31 March 2013. Management negotiated with Swedbanka an extension of the loan. With Bondholder approval management signed the loan extension in July 2013.

At the time of writing 3 month EURIBOR is quoted at approximately 0.23%. These rates are unprecedentedly low, movements up in interest rates will have a dramatic impact on the Group's cash flows and, inter-alia, Acme Corporation's ability to repay bondholders. The current yield curve has a steep upward trend. Management is considering fixing a portion, €15,000,000, of our senior debt. In the months prior to signing of the loan extension fixed rates were being quoted at 0.50 to 0.60% plus bank margin for a period of four years. At the time of signing the fixed rate had moved up to 0.73%. Management has decided at this moment in time not to lock in a fixed rate but to continue to monitor the interest rate situation. If rates drop to earlier quoted fixes of at 0.50 to 0.60% then it is highly probable that we will lock in a fixed rate for €15,000,000, of our senior debt. The remaining €11,000,000 will remain free floating and exposed to the market. We believe that by entering into a SWAP agreement that we will mollify our exposure to interest rate risk. However due to our extreme negative experience with an earlier derivative that resulted in a loss in excess of Euro one million, management is being extremely cautious.

The Group does not plan on issuing any additional debt or acquiring any assets in 2013, but is focused on conserving its cash flow and internally developing its portfolio. Management's goal is to further streamline and improve operations and pay down bank debt.

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David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors of Acme Corporation SIA is responsible for the preparation of the consolidated financial statements of the Group.

The condensed consolidated interim financial statements on pages 6 to 13 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 30 June 2013 and the results of its operations and cash flows for the period from 1 January 2013 to 30 June 2013.

The condensed consolidated interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the condensed consolidated interim financial statements.

The Board of Directors of Acme Corporation SIA is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board of Directors is also responsible for operating the Group in compliance with the legislation of the Republic of Latvia.

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David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## CONSOLIDATED BALANCE SHEET

| | 30.06.2013 LVL (unaudited) | 31.12.2012 LVL | 30.06.2013 EUR (unaudited) | 31.12.2012 EUR |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 80 765 | 75 777 | 114 918 | 107 821 |
| Investment property | 14 894 314 | 15 282 758 | 21 192 700 | 21 745 406 |
| Loans | 8 690 | 11 059 | 12 365 | 15 736 |
| Other long-term financial assets | 10 766 | - | 15 319 | - |
| | **14 994 535** | **15 369 594** | **21 335 302** | **21 868 963** |
| **Current assets** | | | | |
| Trade receivables | 24 774 | 30 701 | 35 250 | 43 684 |
| Current income tax assets | 5 800 | - | 8 253 | - |
| Loans | 5 291 | 2 678 | 7 528 | 3 810 |
| Other short-term financial assets | 2 536 | 11 363 | 3 608 | 16 168 |
| Other debtors | 109 444 | 134 643 | 155 725 | 191 579 |
| Cash and cash equivalents | 396 316 | 282 038 | 563 907 | 401 304 |
| | **544 161** | **461 423** | **774 271** | **656 545** |
| **Total assets** | **15 538 696** | **15 831 017** | **22 109 573** | **22 525 508** |
| | | | | |
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital | 2 000 | 2 000 | 2 846 | 2 846 |
| Accumulated deficit | (9 001 833) | (8 198 624) | (12 808 454) | (11 665 591) |
| Loss for the reporting period | (30 397) | (803 209) | (43 251) | (1 142 863) |
| **Total equity** | **(9 030 230)** | **(8 999 833)** | **(12 848 859)** | **(12 805 608)** |
| | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 5 145 800 | 968 305 | 7 321 814 | 1 377 774 |
| Deferred income tax liabilities | 491 216 | 476 023 | 698 937 | 677 320 |
| | **5 637 016** | **1 444 328** | **8 020 751** | **2 055 094** |
| **Current liabilities** | | | | |
| Borrowings | 18 520 335 | 22 937 470 | 26 352 063 | 32 637 079 |
| Trade and other payables | 380 838 | 449 052 | 541 883 | 638 943 |
| Current tax liabilities | 30 737 | - | 43 735 | - |
| | **18 931 910** | **23 386 522** | **26 937 681** | **33 276 022** |
| **Total liabilities** | **24 568 926** | **24 830 850** | **34 958 432** | **35 331 116** |
| **Total equity and liabilities** | **15 538 696** | **15 831 017** | **22 109 573** | **22 525 508** |

The notes on pages 10 to 13 are an integral part of these condensed interim consolidated financial statements.

David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | **6 months to 30 June 2013 LVL** (unaudited) | **6 months to 30 June 2012 LVL** (unaudited) | **6 months to 30 June 2013 EUR** (unaudited) | **6 months to 30 June 2012 EUR** (unaudited) |
|---|---|---|---|---|
| Revenue | 1 246 214 | 1 214 171 | 1 773 203 | 1 727 610 |
| Cost of sales | (622 870) | (768 007) | (886 264) | (1 092 776) |
| **Gross profit** | **623 344** | **446 164** | **886 939** | **634 834** |
| Selling expenses | (5 565) | (7 362) | (7 918) | (10 475) |
| Administrative expenses | (106 596) | (92 956) | (151 673) | (132 264) |
| Other operating income | 4 527 | 5 711 | 6 441 | 8 126 |
| Other operating expenses | (42 467) | (27 255) | (60 425) | (38 781) |
| **Operating profit** | **473 243** | **324 302** | **673 364** | **461 440** |
| Finance income | 244 | 286 | 347 | 407 |
| Finance costs | (483 986) | (664 419) | (688 650) | (945 383) |
| **Profit/ (loss) before income tax** | **(10 499)** | **(339 831)** | **(14 939)** | **(483 536)** |
| Income tax | (19 898) | 8 847 | (28 312) | 12 588 |
| **Profit/(loss) for the period** | **(30 397)** | **(330 984)** | **(43 251)** | **(470 948)** |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income for the period** | **(30 397)** | **(330 984)** | **(43 251)** | **(470 948)** |
| **Attributable to:** | | | | |
| Equity holders of the Company | **(30 397)** | **(330 984)** | **(43 251)** | **(470 948)** |

The notes on pages 10 to 13 are an integral part of these condensed interim consolidated financial statements.

David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the equity holders of the Company | | | |
|---|---|---|---|---|
| | Share capital LVL | Accumulated deficit LVL | Profit/ (loss) for the period LVL | Total equity LVL |
| **Balance at 1 January 2012** | **2 000** | **(11 048 307)** | **2 849 683** | **(8 196 624)** |
| Transferred to accumulated deficit | - | 2 849 683 | (2 849 683) | - |
| Loss for the current reporting period | - | - | (330 984) | (330 984) |
| **Balance at 30 June 2012** (unaudited) | **2 000** | **(8 198 624)** | **(330 984)** | **(8 527 608)** |
| **Balance at 1 January 2013** | **2 000** | **(8 198 624)** | **(803 209)** | **(8 999 833)** |
| Transferred to accumulated deficit | - | (803 209) | 803 209 | - |
| Loss for the current reporting period | - | - | (30 397) | (30 397) |
| **Balance at 30 June 2013** (unaudited) | **2 000** | **(9 001 833)** | **(30 397)** | **(9 030 230)** |

| | Share capital EUR | Accumulated deficit EUR | Profit/ (loss) for the period EUR | Total equity EUR |
|---|---|---|---|---|
| **Balance at 1 January 2012** | **2 846** | **(15 720 325)** | **4 054 734** | **(11 662 745)** |
| Transferred to accumulated deficit | - | 4 054 734 | (4 054 734) | - |
| Loss for the current reporting period | - | - | (470 948) | (470 948) |
| **Balance at 30 June 2012** (unaudited) | **2 846** | **(11 665 591)** | **(470 948)** | **(12 133 693)** |
| **Balance at 1 January 2013** | **2 846** | **(11 665 591)** | **(1 142 863)** | **(12 805 608)** |
| Transferred to accumulated deficit | - | (1 142 863) | 1 142 863 | - |
| Loss for the current reporting period | - | - | (43 251) | (43 251) |
| **Balance at 30 June 2013** (unaudited) | **2 846** | **(12 808 454)** | **(43 251)** | **(12 848 859)** |

The notes on pages 10 to 13 are an integral part of these condensed interim consolidated financial statements.

David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## CONSOLIDATED CASH FLOW STATEMENT

| | 6 months to 30 June 2013 LVL (unaudited) | 6 months to 30 June 2012 LVL (unaudited) | 6 months to 30 June 2013 EUR (unaudited) | 6 months to 30 June 2012 EUR (unaudited) |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before income tax | (10 499) | (339 831) | (14 939) | (483 536) |
| Adjustments for: | | | | |
| ▪ Depreciation | 413 707 | 572 176 | 588 652 | 814 133 |
| ▪ (Gain)/loss on disposal of equipment | 10 360 | - | 14 741 | - |
| ▪ Interest income | (244) | (286) | (347) | (407) |
| ▪ Interest expense | 483 936 | 664 414 | 688 579 | 945 376 |
| *Changes in working capital* | | | | |
| ▪ Trade and other receivables | 38 303 | 13 207 | 54 500 | 18 792 |
| ▪ Trade and other payables | (55 355) | (27 993) | (78 763) | (39 830) |
| **Cash generated from operations** | **880 208** | **881 687** | **1 252 423** | **1 254 528** |
| Income tax paid and transferred | (6 034) | (104) | (8 586) | (148) |
| **Ne cash generated from operating activities** | **874 174** | **881 583** | **1 243 837** | **1 254 380** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Improvements made to investment properties | (34 640) | (3 125) | (49 288) | (4 446) |
| Purchases of property, plant and equipment | (5 972) | (354) | (8 497) | (504) |
| Proceeds from sale of property, plant and equipment | - | 878 | - | 1 249 |
| Repayments of loans | - | 1 913 | - | 2 722 |
| Interest income | - | 899 | - | 1 279 |
| **Net cash used in investing activities** | **(40 612)** | **211** | **(57 785)** | **300** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Borrowings received | 42 168 | - | 60 000 | - |
| Repayments of borrowings | (309 422) | (307 123) | (440 268) | (436 997) |
| Interest payments | (452 030) | (542 840) | (643 181) | (772 392) |
| **Net cash used in financing activities** | **(719 284)** | **(849 963)** | **(1 023 449)** | **(1 209 389)** |
| | | | | |
| **Net increase in cash and cash equivalents** | **114 278** | **31 831** | **162 603** | **45 291** |
| Cash and cash equivalents at the beginning of the period | 282 038 | 292 027 | 401 304 | 415 517 |
| **Cash and cash equivalents at the end of the period** | **396 316** | **323 858** | **563 907** | **460 808** |

The notes on pages 10 to 13 are an integral part of these condensed interim consolidated financial statements.

David Allen DeRousse
Member of the Board

Riga, 31 July 2013

## Notes to the Interim Financial Statements

### 1. General information

Core activities of Acme Corporation SIA ('the Company') and its subsidiaries (together 'the Group') are operation and management of rental retail real estates and rental office real estates in Latvia.

The Company is a limited liability company incorporated and domiciled in the Republic of Latvia. The address of its registered office is Citadeles 12, Riga LV-1010, Latvia. The Company was formed as a result of restructuring the Group.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 31 July 2013.

The Company has the following participating interest in subsidiaries:

| Name | Country | Participating interest in share capital of subsidiaries at 30.06.2013 | Participating interest in share capital of subsidiaries at 31.12.2012 |
|---|---|---|---|
| Apex Investments SIA | Latvia | 100% | 100% |
| Big Truck SIA | Latvia | 100% | 100% |
| Neatkarīgā patentu aģentūra SIA | Latvia | 100% | 100% |
| Tukuma Projekts SIA | Latvia | 100% | 100% |

### 2. Basis of preparation

These condensed consolidated financial statements cover the period from 1 January 2013 to 30 June 2013. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the annual consolidated financial statements of Acme Corporation SIA for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU.

### 3. Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements of Acme Corporation SIA for the year ended 31 December 2012, as described in those annual consolidated financial statements.

The condensed consolidated interim financial statements are presented in 'Latvian lats' ('LVL'), which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency exchange rates applied were as follows:

| | 30.06.2013 LVL | 31.12.2012 LVL |
|---|---|---|
| 1 EUR | 0.702804 | 0.702804 |

Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Under this approach the difference between the carrying amount of a financial liability extinguished and liabilities assumed are recognised in profit or loss.

**Notes to the Interim Financial Statements** (continued)

## 4. Financial risk management

*Liquidity risk*
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at 30 June 2013 the Group's current liabilities exceeded its current assets by LVL 18 387 749 (as at 31 December 2012 the Group's current liabilities exceeded its current assets by LVL 22 925 099). Short term liabilities in amount of LVL 18 367 746 outstanding at 30 June 2013 are comprised by the Group's borrowings from the bank which were prolonged on 29 July 2013 (see Note 5 for further details).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows.

| | Less than 1 year LVL | Between 1 and 5 years LVL | After 5 years LVL | Total LVL |
|---|---|---|---|---|
| **At 30 June 2013** | | | | |
| Borrowings from the bank | 1 247 276 | 18 465 520 | - | 19 712 796 |
| Other borrowings | 74 505 | 188 495 | 1 327 316 | 1 590 316 |
| Bonds | 127 575 | 1 299 569 | 3 810 685 | 5 237 829 |
| Trade and other payables | 411 575 | - | - | 411 575 |
| | **1 860 931** | **19 953 584** | **5 138 001** | **26 952 516** |

## 5. Borrowings from the bank

As per amendments of July 29, 2013 to the loan agreements with Swedbank, the bank's fixed margin has been set at 3.5%, whereas variable portion of interest has been linked to 1m EURIBOR. Loans have been extended for two years by 29 July 2015. At maturity the loans shall automatically be extended for another two years if the Group is meeting the conditions of the loans. The Group has undertaken to make capital investments of EUR 350 000 a year if cash flow were sufficient to support this.

## 6. Bonds

Having assessed modifications to the terms of bonds made on 31 January 2013, the Management concluded that existing financial liability should be extinguished and new liability recognized at fair value. The Management was not able to determine the fair value of the new liability by the date of authorizing these condensed interim financial statements. For this reason new liability was assumed at the carrying value of the extinguished liability.

If fair value of the new liability was assessed with reference to the price at which transfer of 756 bonds via 3 transactions was executed during public trading session on 8 August 2012, being the only transactions registered with Acme bonds during 2012 and 2013 at NASDAQ OMX Riga, the fair value of new liability would have been LVL 1 169 374 (EUR 1 663 870). If so, the difference between the carrying amount of the bonds extinguished and assumed, which would have to be recognised in profit and loss as a gain, would have been LVL 3 007 260 (EUR 4 278 945).

**Notes to the Interim Financial Statements** (continued)

## 7. Segment reporting

Management currently identifies the Group's operating segments with reference to the type of real estate that the Group owns. These operating segments are monitored and strategic decisions are made on the basis of operating results for each property which are reported in the same form as general purpose financial statements. Segment information can be analyzed as follows for the 6 month period ended 30 June 2013:

| | Grocery rent LVL | Household rent LVL | Office rent LVL | Property develop-ment LVL | Total LVL |
|---|---|---|---|---|---|
| Revenue from external customers | 739 351 | 106 628 | 400 235 | - | 1 246 214 |
| Revenue from other segments | - | - | - | - | - |
| Segment revenues | **739 351** | **106 628** | **400 235** | **-** | **1 246 214** |
| **Profit/ (loss) before tax** | **(14 935)** | **43 640** | **(35 639)** | **(24 491)** | **(31 425)** |
| **Segment assets** | **14 680 555** | **1 012 947** | **7 359 840** | **285 292** | **23 338 634** |

| | Grocery rent EUR | Household rent EUR | Office rent EUR | Property develop-ment EUR | Total EUR |
|---|---|---|---|---|---|
| Revenue from external customers | 1 052 002 | 151 718 | 569 483 | - | 1 773 203 |
| Revenue from other segments | - | - | - | - | - |
| Segment revenues | **1 052 002** | **151 718** | **569 483** | **-** | **1 773 203** |
| **Profit/ (loss) before tax** | **(21 251)** | **62 094** | **(50 710)** | **(34 848)** | **(44 715)** |
| **Segment assets** | **20 888 548** | **1 441 294** | **10 472 109** | **405 934** | **33 207 885** |

Segment information for the 6 month period ended 30 June 2012 is as follows:

| | Grocery rent LVL | Household rent LVL | Office rent LVL | Property develop-ment LVL | Total LVL |
|---|---|---|---|---|---|
| Revenue from external customers | 726 957 | 104 461 | 382 753 | - | 1 214 171 |
| Revenue from other segments | - | - | - | - | - |
| Segment revenues | **726 957** | **104 461** | **382 753** | **-** | **1 214 171** |
| **Profit/ (loss) before tax** | **(128 195)** | **37 251** | **(245 145)** | **(27 008)** | **(363 097)** |
| **Segment assets** | **16 533 092** | **1 111 474** | **7 523 105** | **620 855** | **25 788 526** |

| | Grocery rent EUR | Household rent EUR | Office rent EUR | Property develop-ment EUR | Total EUR |
|---|---|---|---|---|---|
| Revenue from external customers | 1 034 367 | 148 635 | 544 608 | - | 1 727 610 |
| Revenue from other segments | - | - | - | - | - |
| Segment revenues | **1 034 367** | **148 635** | **544 608** | **-** | **1 727 610** |
| **Profit/ (loss) before tax** | **(182 405)** | **53 003** | **(348 810)** | **(38 429)** | **(516 641)** |
| **Segment assets** | **23 524 471** | **1 581 485** | **10 704 414** | **883 397** | **36 693 767** |

**Notes to the Interim Financial Statements** (continued)

The totals presented for the Group's operating segments reconcile to the Group's loss before tax as presented in its financial statements as follows:

| | 6 months to 30 June 2013 LVL | 6 months to 30 June 2012 LVL | 6 months to 30 June 2013 EUR | 6 months to 30 June 2012 EUR |
|---|---|---|---|---|
| **Revenues** | | | | |
| Total segment revenues | 1 246 214 | 1 214 171 | 1 773 203 | 1 727 610 |
| Reconciling items | - | - | - | - |
| **Group revenues** | **1 246 214** | **1 214 171** | **1 773 203** | **1 727 610** |
| | | | | |
| **Loss** | | | | |
| Segment profit/ (loss) before tax | (31 425) | (363 097) | (44 715) | (516 641) |
| Operating expenses of the Company | (2 144) | (2 505) | (3 050) | (3 564) |
| Intercompany interest expense | 23 070 | 25 771 | 32 826 | 36 669 |
| **Group profit/ (loss) before tax** | **(10 499)** | **(339 831)** | **(14 939)** | **(483 536)** |

## 8. Related-party transactions

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

The following transactions were carried out with related parties:

| | 6 months to 30 June 2013 LVL | 6 months to 30 June 2012 LVL | 6 months to 30 June 2013 EUR | 6 months to 30 June 2012 EUR |
|---|---|---|---|---|
| Management services received | (74 168) | (72 314) | (105 532) | (102 894) |
| Project management and intermediary services | (26 849) | (6 577) | (38 203) | (9 358) |
| Interest payments | (13 951) | (20 574) | (19 850) | (29 274) |
| | **(114 968)** | **(99 465)** | **(163 585)** | **(141 526)** |
| | | | | |
| Lease of office premises | **2 964** | **2 372** | **4 218** | **3 375** |