

AS “Liepājas autobusu parks”

FINANCIAL STATEMENT FOR THE PERIOD

ENDED 30 JUNE 2014

NONAUDITED

TRANSLATION FROM LATVIAN

AS "LIEPĀJAS AUTOBUSU PARKS"
FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014
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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	40003015652Commercial 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
Names and positions of Council members	Edgars Dupats- chairman of the council Ronalds Fricbergs – deputy chairman of the council Madara Šķēle-Dupate - member of the council Harijs Krongorns– member of the council Mārtiņš Tīdens – member of the council
Financial year	1 January - 30 June 2014

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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.

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

The Company's performance during the reporting period

During the first 6 months of 2014 the Company's net revenue amounted to EUR 5 322 010, that is an increase of EUR 65 549 or 1.2 % compared to respective period of 2013.

Direct revenue from regular passenger transportation services amounted to EUR 3 956 639, that is a decrease of EUR 79 675 or 2 % compared to respective period of 2013.

In first 6 months of 2014 the cost of goods sold amounted to EUR 5 043 952, that is a decrease of EUR 105 780 or 2.1 % compared to respective period of 2013.

During the first 6 months of 2014 the Company purchased two used buses to be used for city passenger transportation and one new bus for intercity routes.

In first 6 months of 2014 the average number of employees at AS Liepājas autobusu parks was 292 (in respective period of 2013 average number of employees was 307).

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 0.59 and 0.63 on June 30, 2014 and 2013, respectively.

The overall liquidity ratio of AS Liepājas autobusu parks (current assets/short-term liabilities) was 1.36 and 1.16 on June 30, 2014 and 2013, respectively..

During the first 6 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 2.60 and EUR 1.66 respectively, and the period's first and last transaction price was EUR 1.66 and EUR 2.50, respectively.

In first 6 months of 2014 earnings per share was EUR 0.236, but in 2013 loss was EUR - 0.001 per share.

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 2014.

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Management report (continued)

The Company'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. During the reporting period the Company invested EUR 247 thousands. Investments have been made in rolling stock restoring.

The Company's exposure to risks

The company does not have a major foreign exchange exposure because its settlements occur principally in euro. 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.

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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 30 June 2014 and its profit and cashflows for the period 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

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Profit or loss account for the year ended 30 June 2014

	Note	01.01.2014 – 30.06.2014 EUR	01.01.2013 – 30.06.2013 EUR
1. Net sales	1	5 322 010	5 256 461
2. Cost of sales	2	(5 043 952)	(5 149 732)
3. Gross profit		278 058	106 729
4. Selling expenses	3	(7 902)	(1 153)
5. Administrative expenses	4	(160 046)	(202 933)
6. Other operating income	5	62 391	108 310
7. Other operating expenses	6	(640)	(2 108)
8. Interest income and similar income	7	1 858	3 770
9. Interest expenses and similar expenses	8	(25 900)	(13 368)
10. Profit/ (loss) before taxes		147 819	(753)
12. Current year's profit / (loss)		147 819	(753)
Profit/ (loss) per share		0.236	(0.001)

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Balance sheet as at 30 June 2014	(1)		
	Note	30.06.2014	30.06.2013
		EUR	EUR
<u>Assets</u>			
Long-term investments			
I. Intangible assets:			
1. Concessions, patents, licences, trade marks and similar rights		116	475
Total intangible assets:		116	475
II. Fixed assets:			
1. Equipment and machinery		2 774 585	2 465 215
2. Other fixed assets and inventory		64 324	81 734
3. Advances for fixed assets		1 893	72 885
Total fixed assets:		2 840 802	2 619 834
III. Long-term financial investments.			
1. Participating interest in subsidiaries		1 804 344	1 804 344
2. Loans to subsidiaries	10	23 600	46 941
Total long-term financial investments		1 827 944	1 851 285
Total long-term investments:		4 668 862	4 471 594
Current assets			
I. Stock:			
1. Raw materials and consumables	9	171 937	181 726
Total stock:		171 937	181 726
II. Debtors:			
1. Trade debtors	11	511 799	459 031
2. Accounts receivable from related parties	10	48 742	165 769
3. Other debtors	12	72 687	354 817
4. Deferred expenses	13	50 682	32 903
5. Accrued income		8 467	200 726
Total debtors:		692 377	1 213 246
III. Cash and bank:	14	1 107 042	172 684
Total current assets:		1 971 356	1 567 656
<u>Total assets</u>		<u>6 640 218</u>	<u>6 039 250</u>

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Balance sheet as at 30 June 2014	(2)		
	Note	30.06.2014	30.06.2013
		EUR	EUR
Liabilities			
Shareholders' funds:			
1. Share capital	15	878 417	892 768
2. Share premium		327	327
3. Retained earnings			
a) prior years' retained earnings		2 892 277	2 937 657
b) current year's profit/ (loss)		147 819	(753)
Total shareholders' funds:		3 918 840	3 829 999
Creditors:			
Long-term creditors:			
1. Loans from credit institutions	16	359 728	664 167
2. Other borrowings	17	733 343	-
3. Deferred tax liability	18	174 356	197 267
Total long-term creditors:		1 267 427	861 434
Short-term creditors:			
1. Loans from credit institutions	16	304 439	352 556
2. Other borrowings	17	156 226	-
3. Trade creditors		439 583	448 694
4. Accounts payable to related parties		123 977	119 568
5. Taxes and social insurance		116 403	116 005
6. Other creditors	19	120 226	121 750
7. Deferred income	20	52 347	67 561
8. Accrued liabilities		140 750	121 683
Total short-term creditors:		1 453 951	1 347 817
Total liabilities and shareholders funds		6 640 218	6 039 250

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Statement of changes in equity for the year ended 30 June 2014 (EUR)

	Share capital	Share premium	Prior years' retained earnings	Current year's profit/ (loss)	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2012	892 768	327	2 696 066	168 938	3 758 099
Transfer of prior year's profit	-	-	241 591	(241 591)	-
Profit for the year	-	-	-	71 900	71 900
As at 30 June 2013	892 768	327	2 937 657	(753)	3 829 999
Denomination of shares	(14 351)	-	14 351	-	-
Transfer of prior year's profit	-	-	(59 731)	59 731	-
Profit for the year	-	-	-	88 841	88 841
As at 30 June 2014	878 417	327	2 892 277	147 819	3 918 840

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Cash flow statement for the period ended 30 June 2014

	Note	01.01.2014 – 30.06.2014 EUR	01.01.2013 – 30.06.2013 EUR
I Cash flow from operating activities			
1. Profit/(loss) before taxes		147 819	(753)
<u>Adjustments for:</u>			
a) fixed assets depreciation		362 767	353 540
b) intangibles write-off		180	179
c) other interest income and similar income		(1 858)	(3 770)
d) interest payments and similar payments		25 900	13 368
e) net profit on fixed assets disposal		(22 006)	(57 617)
2. Profit before adjustment of working capital and short-term liabilities		512 802	304 947
<u>Adjustments for:</u>			
a) trade debtors' (increase) or decrease		118 547	(241 997)
b) stock (increase) or decrease		14 533	(21 533)
c) trade creditors' increase		20 895	207 977
3. Gross cash flow from operating activities		666 777	249 394
4. Corporate income tax payments		(15 702)	(16 756)
5. Net cash flow from operating activities		651 075	232 638
 Cash flow from investing activities			
1. Acquisition of fixed assets and intangibles		(30 836)	(515 122)
2. Proceeds from sales of fixed assets and intangibles		25 228	110 125
3. Loans issued (neto)		29 752	(127 711)
4. Interest payments received		1 924	3 663
Net cash flow from investing activities		26 068	(529 045)
 Cash flow from financing activities			
1. Repaid loans		(176 618)	(175 363)
2. Expenses related to the buyout of a leased assets		(83 389)	-
3. Interest payments received		(25 900)	(13 368)
4. Net cash flow from financing activities		(285 907)	(188 731)
 Net cash flow of the reporting year		391 236	(485 138)
Cash and cash equivalents at the beginning of the reporting year		715 806	657 822
Cash and cash equivalents at the end of reporting year	14	1 107 042	172 684

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Notes

(1) Net sales

	01.01.2014 – 30.06.2014	01.01.2013 – 30.06.2013
	EUR	EUR
Income from passenger transportation	3 959 242	4 046 529
Grants	1 362 768	1 209 932
	<u>5 322 010</u>	<u>5 256 461</u>

(2) Cost of sales

Fuel and oil materials expenses	1 524 785	1 741 949
Spare parts and tyres	218 936	265 472
Salary expenses	1 201 536	1 213 280
Social insurance	277 216	286 437
Deprecation of fixed assets	362 947	353 719
Repairs and materials	116 736	160 543
Public facilities and rent	71 848	100 004
Business trip expenses	20 604	16 013
Outsourced services	269 147	213 008
Vehicle insurance	23 918	18 032
IT expenses	18 050	18 122
Bus rent	609 362	447 820
Technical assistance and bus maintenance services	135 256	132 549
Other cost of sales	193 611	182 784
	<u>5 043 952</u>	<u>5 149 732</u>

(3) Selling expenses

Advertising	<u>7 902</u>	<u>1153</u>
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(4) Administrative expenses

Salary expenses	116 647	139 375
Social insurance	25 934	32 033
Transportation costs and business trip expenses	4 586	8 495
Communication expenses	2 788	2 935
Audit expense	-	2 227
Legal services	4 928	5 656
Other administrative costs	5 163	12 212
	<u>160 046</u>	<u>202 933</u>

(5) Other operating income

Insurance remuneration	3 358	3 921
Bus station revenues from ticket sales and parking facilities	18 143	37 572
Income from advertising	5 131	3 290
Proceeds from fixed assets disposal	22 006	57 616
Other income	13 753	5 911
	<u>62 391</u>	<u>108 310</u>

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(6) Other operating expenses		
	01.01.2014 – 30.06.2014	01.01.2013 – 30.06.2013
	EUR	EUR
Penalties paid	50	1 047
Net loss on exchange rate fluctuations	17	102
Other expenses	573	959
	<u>640</u>	<u>2 108</u>
(7) Interest income and similar income		
Bank interest	32	1 143
Interest received from subsidiaries	1 826	2 627
	<u>1 858</u>	<u>3 770</u>
(8) Interest expenses and similar expenses		
Interest on loan	<u>25 900</u>	<u>13 368</u>
(9) Stock		
	30.06.2014	30.06.2013
	EUR	EUR
Fuel, grease	70 660	92 627
Spare parts	78 993	72 222
Materials	9 735	8 634
Bus ticket	12 549	8 243
	<u>171 937</u>	<u>181 726</u>
(10) Receivables from related parties		
Loans to subsidiary with repayment term up to 5 years	23 600	46 941
Total long-term receivables from subsidiary	<u>23 600</u>	<u>46 941</u>
Short-term loans to subsidiary	23 341	162 723
Other receivables	25 401	3 046
Total short-term receivables from subsidiary	<u>48 742</u>	<u>165 769</u>
Total receivables from subsidiary	<u>72 342</u>	<u>212 710</u>
(11) Trade debtors		
Trade debtors gross	<u>511 799</u>	<u>459 031</u>
(12) Other debtors		
VAT overpaid	18 779	58 228
Corporate income tax overpaid	53 384	35 327
Advances to employees	524	7 248
Guarantee deposits for rights for public transportation service provision	-	254 014
	<u>72 687</u>	<u>354 817</u>

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(13) Deferred expenses

	30.06.2014	30.06.2013
	EUR	EUR
Insurance	31 016	25 845
Annual leave pay for following period	2 801	2 906
Cash register lease	11 000	-
Rent of city bus	2 251	2 251
Other expenses	3 614	1 901
	<u>50 682</u>	<u>32 903</u>

(14) Cash and bank

Cash in transit	9 604	28 704
Cash at bank	1 097 113	143 979
Cash in hand	325	1
	<u>1 107 042</u>	<u>172 684</u>

(15) Share capital

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

(16) Loans from credit institutions

	30.06.2014	30.06.2013
	EUR	EUR
Loan from AS Swedbank with the maturity over 1 years	359 728	619 167
Loan from AS NORDEA	-	45 000
Total long-term part:	<u>359 728</u>	<u>664 167</u>
Loan from AS Swedbank	259 439	262 555
Loan from AS NORDEA	45 000	90 001
Total short-term part:	<u>304 439</u>	<u>352 556</u>
Total loans from credit institutions	<u>664 167</u>	<u>1 016 723</u>

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(17) Other borrowings	30.06.2014 EUR	30.06.2013 EUR
SIA Nordea Finance Latvia		
Finance lease obligations with a term of more than 1 year	113 837	-
Finance lease obligations with a term of up to 1 year	<u>22 236</u>	<u>-</u>
Total finance lease obligations:	136 073	-
SIA Swedbank Līzings		
Finance lease obligations with a term of more than 1 year	230 074	-
Finance lease obligations with a term of up to 1 year	<u>63 938</u>	<u>-</u>
Total finance lease obligations:	294 012	-
SIA UniCredit Leasing		
Finance lease obligations with a term of more than 1 year	229 399	-
Finance lease obligations with a term of up to 1 year	<u>42 046</u>	<u>-</u>
Total finance lease obligations:	271 445	-
SIA Pohjola Finance		
Finance lease obligations with a term of more than 1 year	160 033	-
Finance lease obligations with a term of up to 1 year	<u>28 006</u>	<u>-</u>
Total finance lease obligations:	188 039	-
Total non-current borrowings:	733 343	-
Total current borrowings:	156 226	-
Total other borrowings	<u>889 569</u>	<u>-</u>
(18) Deferred tax liability		
Deferred tax liability	<u>174 356</u>	<u>197 267</u>
(19) Other creditors		
Salaries	117 540	112 049
Deductions from salaries	2 686	3 001
Bus station revenue	<u>-</u>	<u>6 700</u>
	120 226	121 750
(20) Deferred income		
Loss coverage for following period	<u>52 347</u>	<u>67 561</u>
	52 347	67 561