

**Joint stock company
Liepājas autobusu parks**

**Annual accounts for 2014
and
consolidated financial
statements for 2014**

**prepared in accordance with the
International Financial Reporting
Standards as adopted by EU**

NONAUDITED

**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
CONSOLIDATED FINANCIAL STATEMENTS FOR 2014**

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**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
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Information on the Company and on the Group

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
Type of operations	Transportation services
Address	Cukura street 8/16, Liepāja, LV-3402 Latvia
Full name and address of the shareholders	Liepāja City Council (34.85%), Rožu street 6, Liepāja, LV – 3401, Latvia LAP1R SIA (49.99%), Vaļņu street 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- member of the Council Mārtiņš Tīdens - member of the Council Harijs Krongorns - member of the Council
Reporting period	1 January 2014 - 31 December 2014

Information on the Group

Consolidated subsidiaries

Parent company	Subsidiaries	Share of investment in the subsidiary as at 31.12.2014	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 ielā 8/16, Liepāja, LV 3402, Latvija	Real estate facility management and motor vehicle maintenance services
AS Liepājas Autobusu parks	Rumba Tours SIA	100%	28.09.2012	Cukura ielā 8/16, Liepāja, LV 3402, Latvija	Transport services
AS Liepājas Autobusu parks	Baltic Taxi SIA	68.12%	20.09.2012	Šampētera iela 139A, Rīga, LV 1046, Latvija	Taxi services
Baltic Taxi SIA	Baltic Taxi Auto SIA	100%	01.02.2012	Šampētera iela 139A, Rīga, LV 1046, Latvija	Taxi services

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Management report of A/S Liepājas autobusu parks

Type of operations

The main activity of the Parent company of the group- joint stock company Liepājas autobusu parks is providing public passenger transportation services on urban, regional and regional inter-city routes. During the reporting year the Group's parent company provided passenger transportation services to tour and sight-seeing operators, taxi services as well as bus station related services.

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

The operations of the Group during the reporting year

In 2014, the Group's net revenue totalled EUR 15 418 373, where of the revenue of AS Liepājas autobusu parks and the subsidiary companies of AS Liepājas autobusu parks accounted for EUR 10 889 916 and EUR 4 528 457, respectively.

By setting up and acquiring companies the Group seeks to expand its operations in the transport industry and aims to become a leading transport company in Latvia in the future. In 2015, the Group has continued implementing the strategy that was successfully commenced in 2012.

In 2014, the solvency ratio (equity/assets ratio) of the Group was 0.32 which suggests that the equity of the Group accounts more than third of their total assets.

In 2014, the Group's acid liquidity ratio (cash/short-term liabilities) was 0.42 which suggests that a third of current liabilities can be covered by cash.

In 2014, the overall liquidity ratio of the Group (current assets/short-term liabilities) was 0.8.

The Group's solvency, acid liquidity and overall liquidity ratios suggest that the Group is capable of covering 80% of liabilities within a short term and that the liabilities (including bank loans and leases) account for 68% of the Group's total assets; the remainder is represented by the Group's equity.

In 2014, the average number of the Group's employees was 497.

In 2014, the highest and lowest price registered for the share of AS Liepājas autobusu parks at the Stock Exchange "NASDAQ OMX Riga" was EUR 4.80 and EUR 1.66 respectively, and the year's first and last transaction price was EUR 1.66 and EUR 4.80, respectively.

The Group's net earnings per share was profit of EUR 0.619 and profit of EUR 0.092 in 2014 and 2013, respectively.

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.

In 2014, the Group's parent company purchased two used buses to be used for city passenger transportation and one new interurban bus for passenger transportation on regional routes.

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 165 motor vehicles, which generally are provided from partner companies.

Vehicle fleet's management programm 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.

SIA „Baltic Taxi” concluded a deal regarding acquiring demand rights against its creditor and member company. Demand rights were acquired with 20% discount rate. After initiation of the legal protection proceedings entitlement has set in .

SIA LAP service is primarily engaged in providing real estate facility management services and providing vehicle maintenance services to its parent company, 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 as well as bus station related services

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

The Group's research and development activities

During the reporting year 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.

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

The Group's exposure to risks

The Group companies do not have major foreign exchange exposure because its settlements occur in euro. The Group companies have loan and lease liabilities denominated in euros. 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. The performance of the Group's companies is affected by the central and local government subsidies that are granted in accordance with the Cabinet regulation.

Overseas branches and representative offices

The Group does not have branches or representative offices abroad.

Future prospects

In 2014 AS Liepājas autobusu parks and group companies plan to achieve profitable operations. The Company's priorities in 2014 are start to fulfil 10 years agreement on carriage of passengers in Liepaja city and as well start to fulfil agreement on carriage of passengers in central Latvian regions – "Centrs-1" in following directions – Jūrmala, Bauska, Ogre, as well as new services and cooperation project development.

SIA Rumba Tours plans to raise volume of the irregular passenger transport services, continuing its cooperation with the Klaipeda port terminal started last year, serving transfers and city tours of cruise passengers. In 2015 SIA Rumba Tours takes tourist trips abroad, offering its services to travel companies.

Post balance sheet events

There have been no major changes in the business strategy. Daughter company of the joint stock company „LIEPĀJAS AUTOBUSU PARKS” - „Baltic Taxi” - after initiation of the legal protection proceedings has liabilities in the amount of 2 000 000 EUR against LLC „Finanšu restrukturizācijas un risinājumi” and entitlement in the amount of 2 500 000 EUR against LLC „Baltijas Aviācijas Sistēmas”. It is supposed to cover these liabilities in accordance with the plan of legal protection proceedings activities that is being developed by limited liability company „Baltic Taxi”. Limited liability company „Baltic Taxi” plans to renew its solvency. Based on that, according to the particular decision of the court the plan on legal protection proceedings activities will be developed.

Chairman of the Board

L.Krongorns

Member of the Board

L.Kutuzova

Liepāja, 27 February 2015

AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

Statement of management`s responsibility

The management of AS Liepājas Autobusu Parks ("the joint stock company") is responsible for the preparation of the 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 31 December 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

Liepāja, 27 February 2015

**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
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Profit or loss account for the year ended 31 December 2014

	Note	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Revenue	1	10 889 916	15 418 373	10 500 368	14 521 854
Cost of goods and services sold	2	(10 208 569)	(13 741 500)	(10 360 850)	(13 722 765)
Gross profit		681 347	1 676 873	139 518	799 089
Selling expense	3	(12 747)	(60 724)	(2 326)	(44 843)
Administrative expenses	4	(361 221)	(1 225 865)	(387 074)	(891 287)
Other operating income	5	97 882	320 369	202 351	489 713
Other operating expenses	6	(5 155)	(80 217)	(3 462)	(102 079)
Other interest and similar income	7	3 312	418	7 390	1 323
Interest and similar expenses	8	(48 875)	(206 319)	(39 039)	(165 587)
Profit before taxes		354 543	424 535	(82 642)	86 329
Corporate income tax	9	(54 520)	(78 282)	22 910	(6 705)
Profit for the reporting year		300 023	346 253	(59 732)	79 624
Minority share		-	42 194	-	(22 100)
Profit for the reporting year after minority share		300 023	388 447	(59 832)	57 524
Basic earnings per share		0.478	0.619	(0.095)	0.092
Adjusted earnings per share		0.478	0.619	(0.095)	0.092

EUR exchange rate ruling as at 31.12.2013 – 0.702804.

The notes on pages 12 to 29 are an integral part of these financial statements.

Comprehensive income statement

	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Profit for the year	300 023	388 447	(59 832)	57 524
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	300 023	388 447	(59 832)	57 524

Chairman of the Board

L.Krongorns

Member of the Board

L.Kutuzova

Liepāja, 27 February 2015

**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
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Balance sheet as at 31 December 2014

(1)

	Note	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Assets					
Non-current investments					
Intangible assets					
Concessions, patents, licenses, trade marks and similar rights		21	19 559	296	569
Goodwill		-	1 151 553	-	1 151 553
Total intangible assets	10	21	1 171 112	296	1 152 122
Property, plant and equipment:					
Land plots, buildings and perennial plantings		-	153 712	-	136 822
Plant and machinery		2 457 528	2 485 653	2 884 062	2 918 437
Other property, plant and equipment		57 593	2 973 281	73 262	3 297 403
Creation of property, plant and equipment		-	1 134	-	34 011
Advance payments for property, plant and equipment		48 737	48 737	2 433	2 433
Total property, plant and equipment:	11	2 563 858	5 662 517	2 959 757	6 389 106
Investment properties:	12	-	773 121	-	749 429
Non-current financial investments					
Participating interest in subsidiaries	13	1 804 343	-	1 804 344	-
Loans to subsidiaries	16	14 775	-	35 270	-
Claim against SIA Baltijas aviācijas sistēmas		-	2 000 000	-	-
Other securities and investments	14	-	1 357	-	1 357
Deferred tax asset	32	-	158 018	-	158 018
Total non-current financial investments		1 819 118	2 159 375	1 839 614	159 375
Total non-current assets:		4 382 997	9 766 125	4 799 667	8 450 032
Current assets					
Inventories:					
Raw materials, basic materials and consumables		194 589	213 272	186 470	192 011
Total inventories:	15	194 589	213 272	186 470	192 011
Trade and other receivables:					
Trade receivables	17	477 607	707 380	402 492	613 947
Accounts receivable from related parties	16	73 059	-	42 190	-
Other receivables	18	39 970	414 624	257 082	331 095
Prepayments	19	30 995	110 656	44 369	116 701
Accrued income	20	13 308	14 508	67 237	72 677
Receivables:		634 939	1 247 168	813 370	1 134 420
Cash:	21	1 322 571	1 661 148	715 806	969 960
Total current assets:		2 152 099	3 121 588	1 715 646	2 296 391
Total assets		6 535 096	12 887 713	6 515 313	10 746 423

The notes on pages 12 to 29 are an integral part of these financial statements.

**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
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Balance sheet as at 31 December 2014

(2)

	Note	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
<u>Equity and liabilities</u>					
Equity:					
Share capital	22	878 417	878 417	892 768	892 768
Share premium account		327	327	327	327
Retained earnings					
a) retained earnings		2 892 277	3 031 923	2 937 657	2 960 050
b) profit for the reporting year		300 023	388 447	(59 732)	57 524
Minority interest		-	(230 676)	-	(188 482)
Total equity:		4 071 044	4 068 438	3 771 020	3 722 187
Provisions					
Other provisions	23	-	74 676	-	41 905
Total provisions:		-	74 676	-	41 905
Liabilities:					
Non-current liabilities:					
Borrowings from credit institutions	24	320 061	320 061	486 947	486 947
Other borrowings	25	460 650	2 246 980	635 637	3 179 296
Other payables		-	2 000 000	-	-
Deferred tax liabilities	32	213 281	262 292	174 357	217 244
Total non-current liabilities:		993 992	4 829 333	1 296 941	3 883 487
Current liabilities:					
Borrowings from credit institutions	24	166 885	166 885	353 838	353 838
Other borrowings	25	347 020	2 057 665	121 123	1 341 973
Trade payables	26	339 065	814 705	394 897	725 236
Accounts payable to related parties	27	113 731	-	124 207	
Taxes and mandatory national social insurance contributions	28	127 138	216 993	128 023	216 484
Other payables	29	123 278	148 760	122 003	190 781
Deferred income	30	109 845	109 845	59 692	60 482
Accrued liabilities	31	143 098	400 413	143 569	210 050
Total current payables:		1 470 060	3 915 266	1 447 352	3 098 844
Total equity and liabilities		6 535 096	12 887 713	6 515 313	10 746 423

The notes on pages 12 to 29 are an integral part of these financial statements.

Chairman of the Board

L.Krongorns

Member of the Board

L.Kutuzova

Liepāja, 27 February 2015

**AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND
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Company's statement of changes in equity for 2014

	Share capital EUR	Share premium account EUR	Prior year retained earnings EUR	Profit for the reporting year EUR	Total EUR
As at 31 December 2012	892 768	327	2 696 066	241 591	3 830 752
Retained earnings	-	-	241 591	(241 591)	-
Profit/ (loss) for the reporting year	-	-	-	(59 732)	(59 732)
As at 31 December 2013	892 768	327	2 937 657	(59 732)	3 771 020
Denomination of shares	(14 351)	-	14 351	-	-
Correction	-	-	-	1	1
Retained earnings	-	-	(59 731)	59 731	-
Profit/ (loss) for the reporting year	-	-	-	300 023	300 023
As at 31 December 2014	878 417	327	2 892 277	300 023	4 071 044

Consolidated statement of changes in equity for 2014

	Share capital EUR	Share premium account EUR	Prior year retained earnings EUR	Profit for the reporting year EUR	Minority interest EUR	Total EUR
As at 31 December 2012	892 768	327	2 696 066	263 984	(210 582)	3 642 563
Retained earnings	-	-	263 984	(263 984)	-	-
Profit/ (loss) 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	-	-	-
Correction	-	-	(2)	-	-	(2)
Retained earnings	-	-	57 524	(57 524)	-	-
Profit/ (loss) for the reporting year	-	-	-	388 447	(42 194)	346 253
As at 31 December 2014	878 417	327	3 031 923	388 447	(230 676)	4 068 438

The notes on pages 12 to 29 are an integral part of these financial statements.

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Naudas plūsmas pārskats par 2014. gadu

	Note	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
<u>Cash flows from operating activities</u>					
Profit before taxes		354 543	424 535	(82 642)	101 851
Adjustments:					
a) depreciation of property, plant and equipment		691 593	1 613 239	739 779	1 556 022
b) write-offs of the value of intangible assets		275	6 206	359	438
c) depreciation of investment properties		-	29 661	-	25 071
d) creation of provisions (except for provisions for doubtful debts)		(2 617)	9 843	37 789	(30 139)
e) other interest income and similar income		(3 312)	(418)	(7 390)	(1 323)
f) interest expenses and similar expenses		48 875	206 319	39 039	165 587
g) profit on the investment and disposal of investments in subsidiaries and associates		-	-	-	152
h) profit on assets recovered		-	-	-	(6 094)
i) profit on the investment and disposal of property, plant and equipment		(24 195)	(75 011)	(69 756)	(214 777)
Profit before adjustments related to the changes in current asset and current liability balances		1 065 162	2 214 374	657 178	1 596 788
Adjustments:					
a) (increase)/ decrease of receivables		192 032	(150 236)	38 840	100 512
b) (increase)/ decrease of inventories		(8 119)	(21 261)	(26 278)	(17 083)
c) increase in trade and other payables		(13 619)	314 954	147 317	100 512
Gross cash flows from operating activities		1 235 456	2 357 831	817 057	1 585 735
Corporate income tax expense		-	-	(19 111)	(19 111)
Other tax expenses		-	-	-	(15 522)
Net cash flows from operating activity		1 235 456	2 357 831	797 946	1 551 102
<u>Cash flows from investing activities</u>					
Investments in subsidiaries and associates sold		-	-	-	1 269
Purchase of property, plant and machinery and intangible assets		(34 251)	(107 929)	(423 923)	(544 082)
Proceeds from sale of fixed assets and intangible assets		27 417	262 131	122 869	334 176
Loans issued (neto)		(8 577)	-	5 259	-
Term deposits deployed/closed		-	-	100 000	100 000
Interest received		3 189	327	7 379	1 281
Net cash flows from investing activities		(12 222)	154 529	(188 416)	(107 356)
<u>Cash flows from financing activities</u>					
Proceeds from borrowings		-	-	-	28 458
Repayment of borrowings		(353 839)	(396 058)	(351 301)	(798 749)
Expenses related to the buyout of a leased asset		(213 755)	(1 247 234)	(61 206)	(755 111)
Interest paid		(48 875)	(177 880)	(39 039)	(136 357)
Net cash flows from financing activities		(616 469)	(1 821 172)	(451 546)	(1 661 759)
Net cash flows for the reporting year		606 765	691 188	157 984	(218 013)
Cash and cash equivalents at the beginning of the reporting year		715 806	969 960	557 822	1 187 973
Cash and cash equivalents at the end of the reporting year	21	1 322 571	1 661 148	715 806	969 960

The notes on pages 12 to 29 are an integral part of these financial statements.

AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

Notes

Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below. These are the first consolidated financial statements, the comparatives have been presented in accordance with the specified accounting and measurement principles.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Having regard to the EU's approval procedure, these Notes also list the standards and interpretations that are not yet approved for application by the EU because the said standards and interpretations, if approved, may affect the Group's financial statements in future periods. The valuation of assets and liabilities and net profit data of the group have not been affected in the result of transfer of IFRS.

The financial statements have been prepared under the historical cost convention. Where reclassification is performed which does not affect the prior year retained earnings and equity, the information on the performed reclassification is presented in the relevant Notes to the financial statements.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

(b) Basis of consolidation

The consolidated financial statements have been prepared under the cost method. The companies included in the consolidation are the Group's parent company AS Liepājas autobusu parks and the subsidiaries in which the Group's parent company holds, directly or indirectly, more than a half of the voting rights, or the right to control their financial and operating policies is acquired otherwise. Where the Group owns more than a half of the share capital of another company without controlling the company, the respective company is not consolidated. The subsidiaries of the Group are consolidated from the moment the Group has taken over control, and the consolidation is terminated when the control ceases to exist. Where the date of the share purchase agreement or the date of the decision of shareholders on making further investments is fundamentally different from the date of on which share ownership changes or the registration date as recorded in the Register) of Enterprises, the date of agreement shall be considered the date of the share purchase or the date of the investment, unless the agreement provides otherwise. The Group's all inter-company transactions and balances and unrealised profit on transactions between group companies are eliminated; unrealised losses are eliminated as well, except for the cases when the expenses are not recoverable. Where necessary, the accounting and measurement methods applied by the Group's subsidiaries have been changed to bring them in compliance with the Group's accounting and measurement methods.

In these statements the minority interest in the share capital of the Group's consolidated subsidiaries and their income statement have been presented separately.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year.

(c) Accounting principles applied

The items in the financial statements have been measured based on the following accounting principles:

- a) It is assumed that the company will continue as a going concern;
- b) The measurement methods applied in the previous reporting year have been used;
- c) The measurement of the items has been performed prudently meeting the following criteria:
 - Only profits accruing up to the balance sheet date have been included in the report;
 - All possible contingencies and losses arising in the reporting year or the previous year have been recognised, even if they became known in the period between the balance sheet date and the issuance of the annual report;
 - All impairment and depreciation charges have been calculated and recognised irrespectively of whether the company has operated profitably or not during the reporting year;
- d) All income and expenses relating to the accounting year irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
- e) Assets and liabilities are presented at their gross amounts;
- f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
- g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
- h) Business transactions are presented based on their economic substance rather than their legal form.

Asset and liability recognition is performed on historical cost basis. All financial assets and liabilities are classified as held to maturity or loans and receivables.

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Notes

Accounting policies

(d) Recognition of revenue and expenses

Net revenue represents the total value of goods sold and services provided during the year net of value added tax. Other revenue has been recognised as follows:

- Revenue from lease is recognised on an accruals basis;
- Revenue from fines and penalties is recognised on a cash basis;
- Revenue from services is recognised on an accruals basis;
- Revenue from insurance benefits is recognised on a cash basis or when their receipt is probable;
- Dividend income is recognised on a cash basis;
- Interest income is recognised on accruals basis.

Expenses are recognised on an accruals basis in the period they refer to, irrespective of any payments on account. Loan financing expenses are charged to expenses in the period to which they refer to and are presented in the income statement item "Interest and similar expenses".

(e) Foreign currency translation

Since the Republic of Latvia joined the Eurozone 1 January 2014, the Company maintains its accounts in euros. Comparative figures have been converted from the Latvian lats to the euro using the official exchange rate of € 1: 0.702804 lats. At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

(f) Intangible assets, property, plant and equipment

All intangible assets and property, plant and equipment are initially measured at cost.

Visi nemateriālie ieguldījumi un pamatlīdzekļi sākotnēji novērtēti iegādes vērtībā. Uz pārskata perioda beigām bilancē uzrādītie nemateriālie ieguldījumi un pamatlīdzekļi ir uzrādīti iegādes vērtībā, atskaitot amortizāciju vai nolietojumu. Amortizāciju vai nolietojumu aprēķina pēc lineārās metodes attiecīgo nemateriālo ieguldījumu vai pamatlīdzekļu lietderīgās izmantošanas perioda garumā, lai norakstītu nemateriālo ieguldījumu vai pamatlīdzekļa vērtību līdz aplēstajai atlikušajai vērtībai lietderīgās izmantošanas perioda beigās, izmantojot šādas vadības noteiktas likmes:

	years	%
Software	5	20
Buildings and structures	20	5
Plant and machinery	5	20
Motor vehicles	3 – 10	6-33
Computers and equipment	3	33.33
Other property, plant and machinery	5	20

Interest expenses on borrowings to finance the property, plant and equipment under construction and other direct charges related to the particular property, plant and equipment are capitalised up to the time the constructed object is put into operation. Capitalisation of the borrowing costs is suspended during extended periods in which no active development of property, plant and equipment is carried out. Leasehold improvements are amortised on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repair and maintenance expenses are charged to income statement in the period when the respective costs are incurred.

Low value inventory is recorded at cost and fully charged to expenses at the moment of being put into operation.

(g) Investment property

Investment property includes land plots, buildings, structures or parts thereof held by the company (as an owner or as a lessee under a finance lease) to earn rentals or for capital appreciation rather than to be used in the production or supply of goods or services or for administrative purposes or held for sale in the ordinary course of business. The company measures investment property at cost net of accumulated depreciation.

During the period, the initial cost of unfinished construction included in the investment property is increased by the borrowing costs and other direct costs incurred in financing the object in the period necessary to prepare the newly created asset for its intended use. The initial value of the respective investment property is not increased by the borrowing costs in the periods in which no active development of unfinished construction occurs. The costs pertaining to the current repairs and maintenance of the investment property are charged to the profit and loss of the period in which they are incurred.

Land is not depreciated. Depreciation on the buildings that are classified as investment property is charged using a straight-line method over the useful life of the building so that the acquisition cost is written off to its residual value over the estimated remaining value at the end of the useful lives, using the following rates:

	% gadā
Buildings	5

AS LIEPĀJAS AUTOBUSU PARKS ANNUAL ACCOUNTS FOR 2014 AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

Notes (continued)

Accounting policies (continued)

(h) Investments in the Group's associated companies

In the consolidated financial statements the investments in associated companies are carried at equity method. Under this method the value of the investment at the balance sheet date comprises the value of the equity of the associated company corresponding to the share of investment and the book value of the positive goodwill arising at the acquisition of the investment.

At the year-end the amount of the reported item is increased or decreased by reference to the Group's share in the profit or loss of the associated company during the year (in the post-acquisition period), or other changes in equity, as well as by the reduction of the goodwill arising at acquisition to its recoverable amount. Unrealised profit on inter-company transactions is excluded. Profit distribution is presented in the year following the reporting year in which the shareholders adopt a decision on profit distribution.

(i) Impairment 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).

(j) Segments

A geographical segment provides products or services within a particular economic environment that is subject to other economic environments characterized by different risks and benefits. A business segment is a share of assets and operations, providing products and services that are subject to other business segments of different risks and benefits.

(k) Inventories

Inventories are stated at the lower of cost or market price. Inventories are measured using the weighted average cost method. If necessary, the value of outdated, slow-moving or damaged inventories is written-off.

(l) Trade and other receivables

Trade and other receivables are carried at book value determined by deducting special provisions for doubtful debts from the historical cost. Special provisions for doubtful and bad debts are made when the Group's management believes that the recovery of such specifically identified debts is doubtful. Based on the age analysis of trade receivables general provisions for doubtful and bad debts are made in addition to special provisions.

(m) Sale and leaseback

Where the property, plant and equipment are acquired under a sale and leaseback arrangement and the Group takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

(n) Operating leases

Group company is a lessor

The type of lease in which the lessor retains a significant part of the risks and rewards pertaining to ownership, is classified as operating lease. Lease payments and prepayments for a lease (net of any financial incentives received from the lessor) are charged to the profit and loss under a straight-line method over the lease term.

Group company is a lessee

The assets that are leased out under an operating lease arrangement are recorded within property, plant and equipment at historical less depreciation. Depreciation is charged on a straight-line basis over the useful life of the respective property, plant and equipment so that the cost of the fixed asset item is reduced to its estimated residual value at the end of its useful life, using the following rates set out for similar fixed assets of the Group. Rental income from operating lease including advances received is recognised on a straight-line basis over the period of the lease.

(o) Subsidies

The grants received for the purposes of specific capital expenditure are accounted for as deferred income that is gradually recognised in revenue over the useful life of the property, plant and equipment acquired using the subsidies received. The subsidies received for the purposes of securing core operations are expensed on a pro-rata basis by reference to the compensation of subsidised expenditure.

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Notes (continued)

Accounting policies (continued)

(p) Taxes

The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian 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 depreciation of property, plant and equipment at different rates and tax losses carried forward to the future taxation periods. Deferred tax assets are recognised only to the extent that recovery is probable.

For consolidated accounts purposes deferred tax assets and liabilities of separate group companies are shown gross.

(q) Provisions for unused annual leave

The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the reporting year by the number of accrued but unused annual leave days the end of the reporting year.

(r) Loans

Loans are recognised when cash has been disbursed to the borrower. Loans are measured at amortized cost, which is determined using the effective interest method. Interest income calculated using the effective interest method is credited to profit and loss.

(s) Borrowings

Initially borrowings are recognised at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(t) Cash and cash equivalents

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

(u) Share capital

Ordinary shares are classified as equity. The costs that are directly relating to the issue of new shares are deducted from the share premium account.

(v) Payment of dividends

Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

(w) 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.

(x) Financial risk management

(x1) Financial risk factors

The activities of the Group expose it to different financial risks:

- (x1.1) foreign currency risk;
- (x1.2) credit risk;
- (x1.3) liquidity risk;
- (x1.4) cash flow and interest rate risk.

The Group's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Group's financial indicators. The Finance Director is responsible for risk management. The Finance Director identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Group's companies.

(x1.1) Foreign exchange risk

The Group's companies operate mainly in the local market and its exposure to foreign exchange risk is low. Foreign currency risk mainly arises from the fluctuation of the lats and the euro exchange rates at the time of settling of the liabilities or at the time of currency translation. The Finance Director performs analysis of net open positions of each foreign currency and monitors the currency conversion results. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

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Notes (continued)

Accounting policies (continued)

(x) Financial risk management

(x1.2) Credit risk

The Group has a credit risk concentration due to the amount owed by customers for the services provided. It is the policy of the Group to ensure that services are provided on credit terms only with the customers which have appropriate credit history or some other payment guarantee exists. Where it is not possible to gain reasonable assurance regarding the customer's credit performance, prepayment for services is requested from the customer. The financial position of customers is monitored on a regular basis and the assigned credit limit may be modified by reference to the customer's credit history, regularity and timeliness of the customer's payments on account.

(x1.3) Liquidity risk

The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. Most of the Group's liabilities are short-term liabilities. The management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities and cash flow planning despite the facts that as at 31 December 2013 the short-term liabilities of the Group exceed its assets by Ls 564 188 (EUR 802 767).

(x1.4) Cash flow interest rate risk

As the Group has borrowings and finance lease obligations, the Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group's interest payment related cash flows depend on the current market rates of interest. Risk minimization measures are not taken because the available bank products do not provide an effective control of risks.

(x2) Accounting for derivative financial instruments

The company does not actively use derivative financial instruments in its operations. Derivative financial instruments are initially recognized at fair value on the date of the contract, and are thereafter measured at fair value at the balance sheet date. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if fair value is negative. Any gains or losses arising due to the changes in the fair value of the derivative financial instrument are not classified hedges and are recognized directly in the profit and loss. The fair value of the forward contracts is calculated by reference to the current forward exchange rates which are appropriate for the contracts with similar maturity.

(x3) Fair value

The carrying value of financial assets and liabilities approximates their fair value.

(x4) Management of the capital structure

In order to ensure the continuation of the Group's activities, while maximizing the return to stakeholders capital management, optimization of the debt and equity balance is performed. The Group's capital structure consists of creditors, including borrowings and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	EUR	EUR	EUR	EUR
	Sabiedrība	Koncerns	Sabiedrība	Koncerns
Debt	1 294 616	4 791 591	1 597 545	5 362 054
Monetary funds	1 322 571	1 661 148	715 806	969 960
Net debts	(27 955)	3 130 443	884 739	4 392 094
Equity	4 071 044	4 068 438	3 771 020	3 722 187
Debt/equity ratio	0.32	1.18	0.42	1.44
Net debt/equity ratio	(0.01)	0.77	0.23	1.18

The change in debt/equity ratio is explained by the decision of the Group companies to use finance lease services for vehicle fleet renewal.

(y) Related parties

Related parties include the shareholders, members of the Board of the parent company of the Group, their close family members and companies in which the said persons have control or significant influence.

(z) 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.

(aa) 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)

Accounting policies (continued)

(ab) Significant assumptions and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU and 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 companies of the Group review 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 companies of the Group review 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 Group's companies are 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.

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Notes (continued)

(1) Net revenue

Net revenue by type of revenue

	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Revenue from passenger transportation	8 338 799	8 332 241	8 162 896	8 146 768
Subsidies	2 551 117	2 551 117	2 337 472	2 337 472
Taxi services	-	4 296 139	-	3 901 180
Facility management and other services	-	238 876	-	136 434
	10 889 916	15 418 373	10 500 368	14 521 854

Net revenue by geographical markets and type of operation

Passenger transportation - Latvia	10 881 051	15 170 632	10 480 245	14 365 297
One-off passenger transportation	8 865	8 865	20 123	20 123
Other services in Latvia	-	238 876	-	136 434
	10 889 916	15 418 373	10 500 368	14 521 854

(2) Cost of goods and services sold

Cost of fuel and lubricants	2 947 169	3 810 168	3 354 600	3 975 734
Depreciation of property, plant and equipment	691 868	1 581 828	740 138	1 563 358
Cost of regular repairs of transport and materials	236 984	688 855	378 862	932 963
Bus lease	1 281 899	1 501 878	896 694	661 575
Cost of spare parts, tools and tires	475 920	529 965	560 243	622 686
Services provided by business partners	611 440	465 203	454 964	454 964
Salaries and wages	2 408 459	2 796 028	2 397 633	3 014 832
National social insurance mandatory contributions	555 802	646 315	565 744	713 419
Reduction in the provisions for unused annual leaves	(2 617)	(24 287)	37 789	20 452
Public facilities and rent	126 538	277 411	169 892	241 749
Business trips and work-related travel costs	48 230	57 899	26 610	28 692
Insurance of motor vehicles	47 474	263 508	40 458	272 887
Software licence lease	35 695	35 695	36 578	36 578
Real estate tax*	-	14 285	-	15 522
Technical assistance and bus maintenance services	287 009	-	276 295	-
Other operating expenses	456 699	1 096 749	424 350	1 167 354
	10 208 569	13 741 500	10 360 850	13 722 765

(3) Selling expense

Advertising and other selling expense	12 747	60 724	2 326	44 843
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(4) Administrative expenses

Salaries	238 842	428 137	263 458	393 482
National social insurance mandatory contributions	53 251	97 364	60 382	90 819
Communication	5 242	77 130	5 885	96 856
Transportation costs and business trip expenses	14 587	30 359	13 122	15 196
Audit fee*	5 400	14 358	7 627	17 123
Legal services	34 408	129 564	15 149	40 886
Accounting services	-	60 898	-	69 966
Increase/(decrease) of provisions for unused annual leaves	-	1 360	-	966
Depreciation of fixed assets	-	67 278	-	18 173
Other administrative costs	9 491	319 417	21 451	147 820
	361 221	1 225 865	387 074	891 287

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Notes (continued)

(5) Other operating income

	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Proceeds from insurance relating to the motor vehicles that were damaged in accidents	-	104 346	21 612	28 008
Bus ticket and bus station entry permit revenue	18 143	18 143	78 712	78 712
Income from advertising	11 611	41 745	7 440	24 773
Revenue from sale of property, plant and equipment	24 195	75 011	69 756	214 777
Other income	43 933	81 124	24 831	143 443
	97 882	320 369	202 351	489 713

(6) Other operating expenses

Fines	3 927	7 533	1 110	6 847
Net losses on foreign exchange fluctuations	16	155	504	6 282
Other expenses	1 212	72 529	1 848	88 950
	5 155	80 217	3 462	102 079

(7) Other interest and similar income

Bank interest	34	418	1 221	1 323
Interest received from subsidiaries	3 278	-	6 169	-
	3 312	418	7 390	1 323

(8) Interest and similar expenses

Interest on the borrowings	48 875	206 319	39 039	165 587
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(9) Corporate income tax for the reporting period

Deferred tax (see Note 32)	38 925	45 050	(22 910)	6 705
Corporate income tax for the reporting year	15 595	33 232	-	-
	54 020	78 282	(22 910)	6 705

The corporate income tax differs from the theoretical tax amount:

Profit before taxes	354 543	424 535	(82 642)	101 851
Theoretically calculated tax	53 181	87 369	(12 363)	15 278
Expenses non-deductible from the taxable income	839	(9 087)	(10 547)	(8 573)
Tax expenses	54 020	78 282	(22 910)	6 705

(10) Intangible assets

Company's intangible assets

	Concessions, patents, licences, trade marks and similar rights EUR
Historical cost	
31.12.2013	2 369
Other corrections	2
31.12.2014	2 371
Amortisation	
31.12.2013	2 073
Charge for 2014	275
Other corrections	2
31.12.2014	2 350
NBV as 31.12.2014.	21
NBV as 31.12.2013.	296

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Notes (continued)

(10) Intangible assets (continued)

Group's intangible assets

	Goodwill	Concessions, patents, licences, trade marks and similar rights	Total
	EUR	EUR	EUR
Historical cost			
31.12.2013.	1 151 553	2 782	1 154 335
Additions	-	24 895	24 895
Reclassified	-	851	851
31.12.2014.	1 151 553	28 528	1 180 081
Amortisation			
31.12.2013.	-	2 213	2 213
Charge for 2014	-	6 206	6 206
Reclassified	-	550	550
31.12.2014.	-	8 969	8 969
NBV as 31.12.2014.	1 151 553	19 559	1 171 112
NBV as 31.12.2013.	1 151 553	569	1 152 122

(11) Property, plant and equipment

Company's property, plant and equipment

	Plant and machinery	Other property, plant and equipment	Advance payments for property, plant and equipment	Total
	EUR	EUR	EUR	EUR
Historical cost				
31.12.2013.	7 017 912	151 988	2 433	7 172 333
Additions	244 198	8 414	46 304	298 916
Disposal	(274 243)	(2 489)	-	(276 732)
Reclassified	-	-	-	-
31.12.2014.	6 987 867	157 913	48 737	7 194 517
Amortisation				
31.12.2013.	4 133 850	78 726	-	4 212 576
Charge for 2014	667 965	23 628	-	691 593
Disposal	(271 476)	(2 034)	-	(273 510)
31.12.2014.	4 530 339	100 320	-	4 630 659
NBV as 31.12.2014.	2 457 528	57 593	48 737	2 563 858
NBV as 31.12.2013.	2 884 062	73 262	2 433	2 959 757

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Notes (continued)

(11) Property, plant and equipment (continued)

Group's property, plant and equipment

	Buildings and land	Plant and machinery	Other property, plant and equipment	Advance payments for property, plant and equipment	Property, plant and equipment under constructi on	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost						
31.12.2013.	147 906	7 153 652	4 613 730	2 433	34 011	11 951 732
Additions	12 359	244 198	797 087	46 304	12 184	1 112 132
Disposal	-	(265 983)	(830 405)	-	-	(1 096 388)
Reclassified	8 330	-	(851)	-	(45 061)	(37 582)
Other corrections	-	-	(3)	-	-	(3)
31.12.2014.	168 595	7 131 867	4 579 558	48 737	1 134	11 929 891
Amortisation						
31.12.2013.	11 084	4 235 215	1 316 327	-	-	5 562 626
Charge for 2014	2 469	674 215	936 555	-	-	1 613 239
Disposal	-	(263 216)	(646 053)	-	-	(909 269)
Reclassified	1 330	-	(550)	-	-	780
Other corrections	-	-	(2)	-	-	(2)
31.12.2014.	14 883	4 646 214	1 606 277	-	-	6 267 374
NBV as 31.12.2014.	153 712	2 485 653	1 682 348	48 737	1 134	5 662 517
NBV as 31.12.2013.	136 822	2 918 437	3 297 403	2 433	34 011	6 389 106

The cadastral values of the property are specified in the Note "Investment property".

(12) Investment property
Group's investment property

	Investment property EUR
Historical cost	
31.12.2013.	799 577
Additions	15 292
Reclassified	36 731
Other corrections	(1)
31.12.2014.	851 599
Amortisation	
31.12.2013.	50 148
Charge for 2014	29 661
Reclassified	(1 330)
Other corrections	(1)
31.12.2014.	78 478
NBV as 31.12.2014.	773 121
NBV as 31.12.2013.	749 429

As at 31 December 2014 the cadastral value of the land plots owned by the Group's subsidiary (comprising those included under property, plant and equipment) amounted to EUR 330 387 (31.12.2013.- EUR 415 833). As at 31 December 2014, the cadastral value of the buildings owned by the Group's subsidiary (comprising those included under property, plant and equipment) amounted to 660 777 (31.12.2013.- EUR 683 082). The management of the Group considers that the fair value of the real estate does not materially differ from its net book value.

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Notes (continued)

(13) Participating interest in subsidiary

Participating interest in subsidiary EUR	
Historical cost	
31.12.2013.	1 804 344
Correction	(1)
31.12.2014.	1 804 343

(a) Participating interest in share capital of the subsidiary

Name	Investments in subsidiaries at cost		Investments in subsidiaries (share of share capital)	
	31.12.2014. EUR	31.12.2013. EUR	31.12.2014. %	31.12.2013. %
SIA LAP serviss	950 620	950 621	100	100
SIA Baltic Taxi	711 436	711 435	68.12	68.12
SIA Rumba Tours	142 287	142 288	100	100
	1 804 343	1 804 344		

(b) Information on subsidiaries

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

(c) Information on group company financials

Nosaukums	Equity		Profit/(loss)	
	31.12.2014. EUR	31.12.2013. EUR	2014 EURL	2013 EUR
LAP serviss SIA	1 054 965	1 032 631	22 336	35 327
Baltic Taxi SIA	(763 910)	(608 524)	(157 591)	51 696
Rumba Tours SIA	312 439	178 753	133 686	36 465

(14) Group's investments in associated companies

	Investments in associated companies EUR	Other investments EUR
Historical cost		
31.12.2013.	-	1 357
NBV as at 31.12.2014.	-	1357

Other investments include an investment (9%) in SIA Recipio Baltics.

(15) Inventories

	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Fuel, lubricants	97 916	100 384	100 574	102 522
Spare parts	85 495	85 495	76 552	76 552
Materials	11 178	14 190	9 344	12 203
Value of the motor vehicles excluded from property, plant and equipment	-	11 003	-	-
Advances paid for goods	-	2 200	-	734
	194 589	213 272	186 470	192 011

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Notes (continued)

(16) Receivables from related parties

Loans to subsidiary with repayment term up to 5 years	14 775	-	35 270	-
Total long-term receivables from subsidiary	14 775	-	35 270	-
Short-term loans to subsidiary	70 495	-	41 423	-
Other receivables	2 564	-	767	-
Total short-term receivables from subsidiary	73 059	-	42 190	-
Total receivables from subsidiary	87 834	-	77 460	-

The Company has issued several loans to its subsidiaries. The maturity of the long-term loan is 2016. Interest rate is charged at 6% p.a. Accrued interest in the amount of EUR 235 as at 31 December 2014 is included in the balance sheet item „Accrued income”.

(17) Trade receivable

The carrying value of trade receivables	477 607	848 530	402 492	655 907
Provisions for bad and doubtful trade receivables	-	(141 150)	-	(41 960)
	477 607	707 380	402 492	613 947

Provisions for bad and doubtful trade and other receivables

	EUR
Provisions for bad and doubtful receivables as at 31 December 2013	41 960
Additional provisions	99 190
Provisions for bad and doubtful receivables as at 31 December 2014	141 150

(18) Other receivables

	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Overpaid VAT (see Note 28)	34 087	34 087	42 945	54 880
Overpaid CIT (see Note 28)	105	105	37 682	37 682
Overpaid risk duty (skat.28.pielikumu)	-	4	-	-
Other receivables	-	374 502	-	61 839
Guarantee collateral in accordance with the regulations on the awarding of the contract to provide public transport services*	-	-	170 745	170 745
Amounts receivable in respect of advances to employees	5 778	5 926	5 710	5 949
	39 970	414 624	257 082	331 095

(19) Prepayments

Insurance	23 024	50 204	25 273	64 860
Passenger transportation licences	-	565	-	1 527
Annual leave pay for the January of the next year	1 120	1 120	2 441	2 441
Bus station services	-	-	10 679	10 679
Lease of the bus	2 251	2 251	2 251	2 251
Other expenses	4 600	56 516	3 725	34 943
	30 995	110 656	44 369	116 701

(20) Deferred income

Ministry of Transport	13 073	13 073	51 751	51 751
Insurance benefit	-	-	15 374	15 374
Other deferred income	235	1 435	112	5 552
	13 308	14 508	67 237	72 677

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Notes (continued)

(21) Cash on hand and in bank

Cash in transit	9 123	17 564	16 242	23 735
Cash in bank	1 313 379	1 631 264	699 436	922 523
Blocked amount for delivery of euro starter kits	-	-	(8 781)	(19 280)
Received euro starter kits	-	-	8 781	19 280
Cash on hand	69	12 320	128	23 702
	1 322 571	1 661 148	715 806	969 960

(22) Share capital

As at 31 December 2013 the Company's subscribed and fully paid share capital consists of 627441 ordinary shares with a nominal value of LVL 1,00 each.

Company's share capital denomination to euro was registered on 26 June 2014. 2014. gada 26. As at 31 December 2014 the Company's subscribed and fully paid share capital is EUR 878 417 and consists of 627441 ordinary shares with a nominal value of EUR 1.40 each. The difference valued EUR 14 351 was included in Company's prior year retained earnings

Information pursuant to the requirements set out in Section 56.¹ Information to be additionally included in the financial statements of the Financial instrument market act:

Regulatory requirements	Compliance
Information on the capital structure, share categories, the rights and obligations arising from each category of the shares and the percentage share of the share capital, by specifying separately the number of the shares which are not included in regulated markets	All shares are circulated in the regulated market, all shares are ordinary registered shares with a nominal value of EUR 1.40
Details on the restriction applicable to share transfers or the need to get the consent of the company or other shareholders for the alienation of shares	None
Persons who have directly or indirectly acquired a substantial holding in the company, as well as their interests	Liepaja City Council (34,85%) LAP1R SIA (49,49%)
Shareholders who have special control rights; a description of the rights	N/a
The manner in which the company will use the voting rights arising from the shares if they are not used by the shareholders	Such category of shares does not exist
Restrictions on voting rights in cases when the maximum amount of the voting rights has been set regardless of the number of voting rights as well as the rights of shareholders to the share of profits which is not related to the pro-rated number of shares, and other similar restrictions;	N/a
Shareholders' agreement, which is known to the company and can result in restrictions on the transfer of the shareholders' equity or voting rights to other persons, including the terms and conditions providing for a prior approval of such transfer;	N/a
Terms and conditions governing the appointment of Board members and changed in the composition of the Board and modification of Articles of Association	Articles of Association
The authority of the members of the Board, including the authority to issue or redeem shares	The authority of the members of the Board are determined on the basis of the company's Articles of Association. The members of the Board are not authorised to issue or redeem shares without the authorisation of the shareholders' meeting
All significant agreements and contracts concluded by the target company under which in the event of the change of control they will become effective, the term of which will expire or which will be modified, as well as the effects of their entry into force, termination or amendment.	N/a
All agreements between the capital company and its members of the Board providing for the payment of compensation in the event of the loss of the office, when they are dismissed without sufficient case or when they are dismissed after expressing the offer to redeem the shares.	N/a

(22) Provisions

	Company	Group	Company	Group
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	EUR	EUR	EUR	EUR
Provisions for contingent liabilities	-	74 676	-	41 905

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Notes (continued)

(23) Borrowings from credit institutions

Borrowing from AS Swedbank	320 061	320 061	486 947	486 947
Total non-current liabilities:	320 061	320 061	486 947	486 947
Borrowing from AS Swedbank	166 885	166 885	263 839	263 839
Borrowing from AS NORDEA	-	-	89 999	89 999
Total current borrowings:	166 885	166 885	353 838	353 838
Total borrowings from credit institutions	486 946	486 946	840 785	840 785

(24) Other borrowings

	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Borrowing from SIA Baltic Airlines	-	248 409	-	238 519
Borrowing from SIA Baltijas aviācijas sistēmas	-	-	-	462 620
Finance lease obligations with a term of more than 1 year	460 650	1 998 571	635 637	2 478 157
Total non-current borrowings and finance lease obligations	460 650	2 246 980	635 637	3 179 296
Borrowing from SIA Baltijas aviācijas sistēmas	-	481 237	-	-
Borrowing from SIA JS Advisory	-	100 000	-	142 287
Finance lease obligations	347 020	1 476 428	121 123	1 199 686
Total current borrowings:	347 020	2 057 665	121 123	1 341 973
Total non-current borrowings and finance lease obligations	460 650	2 246 980	635 637	3 179 296
Total current borrowings and finance lease obligations	347 020	2 057 665	121 123	1 341 973
Total other borrowings	807 670	4 304 645	756 760	4 521 269

(25) Trade payables

	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Short-term payables for the received spare parts, materials, fuel	292 845	500 944	305 467	305 495
Other payables (contractual revenue from transportation)	46 220	313 761	89 430	419 741
	339 065	814 705	394 897	725 236

(26) Payables to related parties

Payables to subsidiaries	113 731	-	124 207	-
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Notes (continued)

(27) Taxes and social insurance

Company's taxes and social insurance							
	VAT EUR	CIT EUR	NRT EUR	NSIMC EUR	PIT EUR	Risk duty EUR	Total EUR
Liabilities							
31.12.2013*	-	-	347	83 241	44 327	108	128 023
(Overpaid)							
31.12.2013*	(42 945)	(37 682)	-	-	-	-	(80 627)
Corrections	-	(1)	1	(1)	-	-	(1)
Charge for 2014	(394 087)	15 595	1 077	880 096	466 157	1 229	970 067
Transferred to other taxes	305 183	37 684	-	(342 867)	-	-	-
Paid/repayment in 2014	97 762	(15 701)	(984)	(538 399)	(465 957)	(1 237)	(924 516)
Liabilities							
31.12.2014*	-	-	441	82 070	44 527	100	127 138
(Overpaid)							
31.12.2014*	(34 087)	(105)	-	-	-	-	(34 192)

Group's taxes and social insurance

	VAT EUR	CIT EUR	NRT EUR	RET EUR	NSIMC EUR	PIT EUR	Risk duty EUR	Total EUR
Liabilities								
31.12.2013*	49 099	-	347	-	105 997	60 779	262	216 484
(Overpaid)								
31.12.2013*	(54 880)	(37 682)	-	-	-	-	-	(92 562)
Corrections	-	(1)	1	-	(4)	2	(1)	(3)
Charge for 2014	122 553	33 232	1 112	14 285	1 076 580	578 271	2 146	1 828 179
Fines	394	-	-	-	160	233	-	787
Transferred to other taxes	305 204	37 683	-	-	(342 886)	(1)	(1)	-
Paid in 2014	(572 040)	(15 701)	(984)	(14 285)	(744 090)	(587 565)	(2 284)	(1 936 948)
Repayment in 2014	166 860	-	-	-	-	-	-	166 860
Liabilities								
31.12.2014*	51 277	17 637	476	-	95 758	51 719	126	216 993
(Overpaid)								
31.12.2014*	(34 087)	(105)	-	-	-	-	(4)	(34 196)

*See Note 18.

(28) Other payables

	Company 31.12.2014 EUR	Group 31.12.2014 EUR	Company 31.12.2013 EUR	Group 31.12.2013 EUR
Salaries and wages	120 315	142 295	110 896	147 569
Withholdings from salaries and wages	2 963	2 963	2 343	2 440
Other payables	-	3 502	-	32 008
Revenue of bus stations	-	-	8 764	8 764
	123 278	148 760	122 003	190 781

All liabilities are payable within 30 days of the balance sheet date

(29) Deferred income

Offsetting of losses for the January of the next year	109 845	109 845	59 692	59 692
Other deferred income	-	-	-	790
	109 845	109 845	59 692	60 482

All liabilities are payable within 30 days of the balance sheet date

(30) Accrued liabilities

Provision for annual the leave costs	108 376	132 421	110 493	150 927
NSIMC - provision for the annual leave costs	25 566	31 200	26 065	35 622
Accrued liabilities for the audit costs	2 700	6 980	2 701	6 989
Other accrued liabilities	6 456	229 812	4 310	16 512
	143 098	400 413	143 569	210 050

All liabilities are payable within 30 days of the balance sheet date with the exception of vacation accrual payable up to 12 months from the balance sheet date.

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Notes (continued)

(31) Deferred tax liability	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Deferred tax liability at the beginning of the reporting year	174 357	217 244	197 267	223 749
Deferred tax asset at the beginning of the reporting year	-	(158 018)	-	(171 228)
Decrease of the deferred tax liability in the reporting period (see Note 9)	38 924	45 050	(22 910)	6 705
Deferred tax liability at the end of the reporting year	213 281	262 292	174 357	217 244
Deferred tax asset at the end of the reporting year	-	(158 018)	-	(158 018)

(32) The average number of employees	2014	2013
The Company's average number of employees during the reporting year:	285	276
The Group's average number of employees during the reporting year:	497	740

(33) Management remuneration	Company 2014 EUR	Group 2014 EUR	Company 2013 EUR	Group 2013 EUR
Remuneration of the Board of the parent company of the Group				
- remuneration	21 602	74 290	13 304	87 504
- national social insurance mandatory contributions	5 096	17 525	3 204	21 080
Total	26 698	91 815	16 508	108 584
Remuneration of the Council of the Group's parent company				
- Council remuneration	50 639	50 639	50 671	50 671
- national social insurance mandatory contributions	8 927	8 927	9 122	9 122
Total	59 566	59 566	59 793	59 793

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Notes (continued)

(34) 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	Assets	5 923	5 960	5 647	3 493	1 318	1 293	12 888
Assets of the segment	(3 555)	(3 787)	(5 169)	(2 933)	(95)	(304)	(8 819)	(7 024)
Income	11 018	10 524	4 296	3 901	104	97	15 418	14 522
Net performance of the segment	408	(25)	(132)	70	70	35	346	80
Net financial income (expenses)	(77)	(53)	(126)	(107)	(3)	(4)	(206)	(164)
Profit/(loss) before taxes	482	(41)	(132)	86	75	57	425	102
Corporate income tax	(74)	16	-	(16)	(4)	(7)	(78)	(7)
Other information								
Purchases of property, plant and equipment and intangible assets (NBV)	3 607	4 167	1 676	1 764	1 172	1 208	6 455	7 139
Depreciation and amortisation during the reporting period	(856)	(805)	(715)	(702)	(78)	(75)	(1 649)	(1 582)

The operations of the Group cover one geographical segment - Latvia.

(35) Related parties transactions

During the year the Company performed the following transactions with **SIA LAP serviss**:

	Company 2014 EUR	Company 2013 EUR
Goods and services sold:		
Fixed assets and material sale	-	780
Interest on loans charged	2 842	4 344
Rental and other services	957	4 657
Total	3 799	9 781
Services received:		
Technical assistance and bus maintenance	268 722	261 750
Rental and other services	235 480	121 785
Rental	37 842	68 383
Other services	-	104 423
Total	542 044	556 341

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

	Company 2014 EUR	Company 2013 EUR
Goods and services sold:		
Vehicle rental	6 558	16 128
Fixed assets and material sale	4 500	56 711
Interest on loans charged	236	1 927
Other services	35 133	8 718
Total	46 427	83 484
Services received:		
Vehicle rental	302 884	173 522
Bus station services	146 237	-
Other services	24 229	1 127
Total	473 350	174 649

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Notes (continued)

(35) Related parties transactions (continued)

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

Goods and services sold:

Material sale	-	74
Transportation services, advertising	-	662
Total	<u>-</u>	<u>736</u>

Services received:

Vehicle rental	1 682	-
Airport coupons	3 977	3 833
Total	<u>5 659</u>	<u>3 833</u>

All the transactions are performed at market rates. For mutual settlements status see Notes 16. un 27.

(36) Lease agreements

As at 31 December 2014 the subsidiary of the Group has concluded 162 sub-lease agreements for vehicle rental. The agreements are concluded with legal entities with the purpose to outsource taxi services under the brand-name of the subsidiary. The sub-lease agreements have indefinite maturity and can be cancelled at one month's notice.

(37) Litigations

The subsidiary of the group is involved in litigations, mainly connected with the claims of the employees/former employees of the company against the company. The Company has submitted counterclaims. The total value of employee/former employee claims amounts to EUR 337 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 70 000 for potential litigation expenses as considers the claims mostly 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.

(38) Events after the reporting period

On 18th of February, 2015, the Kurzeme district court has adopted the decision on the initiation of the legal protection proceeding of the daughter company of joint stock company „LIEPĀJAS AUTOBUSU PARKS” – limited liability company „Baltic Taxi”.