

SIA "Z TOWERS"

ANNUAL REPORT

for 12 months period ended 31 December 2013

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INFORMATION ON THE COMPANY

Name of the company	Z Towers
Legal status of the company	Limited liability company
Number, place and date of registration	Commercial register Nr.40003667306 Riga, 27 February, 2004
Address	7 Daugavgrivas street, Riga, LV-1007 Latvia
Type of operations	Implementation of target real estate projects NACE - 68.10, 68.20
Names of the major shareholders	S.P.I. Resources B.V. -100%
Names and positions of the Board members	Olegs Alainis- Member of the board
Financial year	1 January, 2013 - 31 December, 2013
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga, LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

The Company is subsidiary company of S.P.I. Group, that operates as a real estate projects' developer and implementer.

Performance of the Company during the financial year

During the reporting year the Company has realized the targets and plans set in a previous year. Cooperation with Starwood Hotel & Resorts Worldwide has been terminated during the year 2013. According to the zero cycle agreement of object under construction in Riga, Daugavgrivas street 9, from the company STRABAG was requested and performed correction of defects to zero cycle of the object. The Company is involved in legal proceedings with Ierosme SIA, related to the quality of the author's supervision. During the reporting period Company has leased real estate on Daugavgrivas street 7 to related company Towers Construction Management AS.

The reporting year closed with a profit of 161 826 lats.

Financial risk management

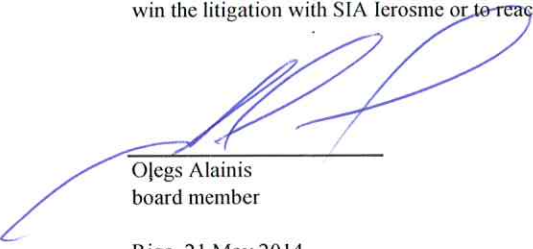
The policy of financial risk management of the Company is described in financial report's Notes 23

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

Future prospects

Reconstruction of Daugavgrivas 7 is planned to start after the concept is agreed with the shareholder of the company. It is planned to win the litigation with SIA Ierosme or to reach the acceptable for the Company settlement.



Ojēgs Alāinis
board member

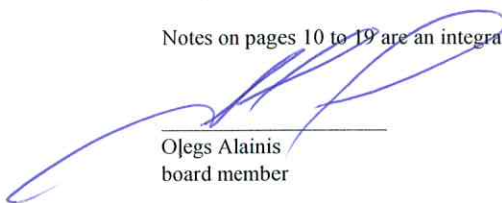
Riga, 21 May 2014

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INCOME STATEMENT

	Notes	2013 Ls	2012 Ls
Administrative expenses	(1)	(28 852)	(16 588)
Other operating income	(2)	392 168	18 901
Other operating expenses	(3)	(20 153)	5 780
Interest and similar income	(4)	505 210	397 668
Interest and similar expenses	(5)	(683 783)	(705 307)
Profit or losses before taxes		164 590	(299 546)
Other taxes	(7)	(2 764)	(3 269)
Net profit or losses		161 826	(302 815)

Notes on pages 10 to 19 are an integral part of these financial statements.



Oļegs Alainis
board member

Rīga, 21 May 2014

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BALANCE SHEET

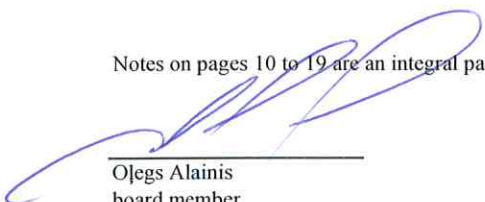
		31.12.2013.	31.12.2012.
		Ls	Ls
	Notes		
<u>ASSETS</u>			
Non-current assets			
Tangible assets			
Tangible assets under construction	(8)	712 010	364 052
Total tangible assets:		<u>712 010</u>	<u>364 052</u>
Investment property:			
Land and buildings	(8)	521 238	534 895
Total non-current financial investments:		<u>521 238</u>	<u>534 895</u>
Total non-current investments:		<u>1 233 248</u>	<u>898 947</u>
Account receivable			
Receivables			
Receivables from group companies	(10)	713 604	723 791
Trade receivables	(9)	483	1 199
Other receivables	(11)	3 546	71 337
Deferred expenses	(12)	1 018	1 610
Accrued income		<u>1 823</u>	<u>11 863</u>
Total receivables:		<u>720 474</u>	<u>809 800</u>
Cash and bank	(13)	1	30
Total current assets:		<u>720 475</u>	<u>809 830</u>
<u>Total assets</u>		<u><u>1 953 723</u></u>	<u><u>1 708 777</u></u>

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BALANCE SHEET

		31.12.2013.	31.12.2012.
		Ls	Ls
	Notes		
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(14)	3 045 000	3 045 000
Retained earnings			
previous year's accumulated losses		(17 703 233)	(17 400 418)
current years profit or losses		161 826	(302 815)
Total equity:		<u>(14 496 407)</u>	<u>(14 658 233)</u>
Liabilities			
Non-current liabilities			
Payables to group companies	(16)	16 344 457	16 165 877
Total non-current liabilities:		<u>16 344 457</u>	<u>16 165 877</u>
Current liabilities			
Loans from banks		9	-
Payables to group companies	(16)	150	-
Trade payables	(15)	105 514	200 722
Taxes and social insurance payments	(17)	-	411
Total current liabilities:		<u>105 673</u>	<u>201 133</u>
Total liabilities:		<u>16 450 130</u>	<u>16 367 010</u>
<u>Total equity, provisions and liabilities</u>		<u><u>1 953 723</u></u>	<u><u>1 708 777</u></u>

Notes on pages 10 to 19 are an integral part of these financial statements.



Oļegs Alainis
board member

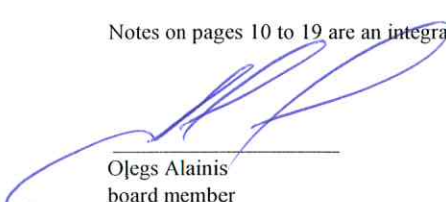
Riga, 21 May 2014

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	Ls	Ls	Ls
31.12.2011.	3 045 000	(17 400 418)	(14 355 418)
Losses for the year	-	(302 815)	(302 815)
31.12.2012.	3 045 000	(17 703 233)	(14 658 233)
Profit / losses for the year	-	161 826	161 826
31.12.2013.	3 045 000	(17 541 407)	(14 496 407)

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Oļegs Alainis
board member

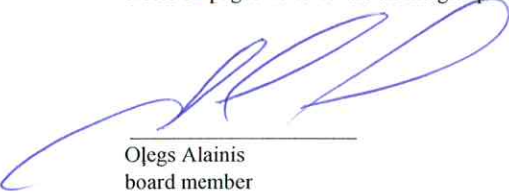
Rīga, 21 May 2014

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CASH FLOW STATEMENT

		2013	2012
		Ls	Ls
	Notes		
Cash flow from operating activities			
Profit or losses before taxes		164 590	(299 546)
<u>Adjustments for:</u>			
depreciation of tangible assets and investment properties		13 657	11 424
interest payment	(5)	683 783	704 357
interest income		(7)	(708)
gains from revaluation of tangible assets		(347 670)	-
(gains)/losses from exchange rate fluctuations	(4)	(505 203)	(396 960)
Cash flow prior to changes in current assets and liabilities		9 150	18 566
Account receivable (increase)/decrease		11 502	103 895
Account payable increase/(decrease)		(27 786)	(233 746)
Net cash flow generated from operating activities		(7 134)	(111 285)
Cash flow from investing activities			
Acquisition of tangible assets and investment properties		(288)	-
Issued loans		-	(87 000)
Issued loans repaid		7 147	193 439
Loans interest received		246	4 758
Net cash flow generated from investing activities		7 105	111 197
Net increase / (decrease) in cash and cash equivalents		(29)	(88)
Cash and cash equivalents at the beginning of the financial year		30	118
Cash and Cash equivalents at the end of the financial year	(13)	1	30

Notes on pages 10 to 19 are an integral part of these financial statements.



Oļegs Alainis
board member

Rīga, 21 May 2014

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover method. The cash flow statement has been prepared under indirect cash flow method.

There are no changes in the accounting and evaluation methods of the Company in comparison to a previous year.

(2) Reclassification of comparatives

Certain items have been classified differently than in previous year financial statements. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Reclassified assets, liabilities, income or expenses	2012	2012	Amount Ls
	Adjusted	Prior adjustments	
	Name of line item	Name of line item	
Depreciation of investment property	Other operating expenses	Administrative expenses	11 381
Insurance payments	Other operating expenses	Administrative expenses	2 084

(3) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2013.	31.12.2012.
	Ls	Ls
1 USD	0.515	0.531
1 EUR	0.702804	0.702804

(4) Revenue recognition

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis.

Third party amounts collected on behalf which receive the Company and whose obtaining is not intended to increase the Company's equity, are not included in the Company's income.

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(5) Tangible assets

Intangible assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of tangible assets. In financial statements the tangible assets are recognized at purchase cost or revalued amount less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the tangible assets:

Tangible assets (continuation)		Depreciation % per annum
Buildings		10
Other machinery and equipment, transport vehicles		20-33

The Company capitalizes its tangible assets valued over Ls 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than 100 Ls is recognized in full after its ready for use.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the tangible asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of tangible assets is calculated, as the difference between the carrying amount of the tangible asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of tangible assets could exceed its recoverable value, appropriate value of fixed asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

(6) Investment property

Investment property is property (land, building or part of building) held by the owner to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of investment properties. Further investment properties are recognized at purchase cost less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life, its 2.5%.

(7) Lease without redemption rights (operating lease)

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lessor, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

(8) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

(9) Taxation

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

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different tangible asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

(10) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(11) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

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II. OTHER NOTES

	2013	2012
	Ls	Ls
(1) Administrative expenses		
Professional services costs	28 603	4 082
Bank charges	37	36
Depreciation of tangible assets	-	43
Salary expenses	-	8 042
Social insurance costs	-	1 923
Transport costs	-	1 102
Other administrative expenses	212	1 360
	<u>28 852</u>	<u>16 588</u>
(2) Other operating income		
Reversal of impairment losses (see Notes 8 for details)	347 670	-
Lease of premises	18 000	15 000
Vehicle rental income	2 137	3 412
Other income	24 361	489
	<u>392 168</u>	<u>18 901</u>
(3) Other operating expenses		
Depreciation of investment properties	13 657	11 381
Prepayments of insurance payments	1 968	2 084
Provisions for doubtful debts	1 121	-
Penalties	147	221
Bank charges	140	119
Provision of non-recoverable VAT overpaid	-	(22 955)
Other expenses	3 120	3 371
	<u>20 153</u>	<u>(5 780)</u>
(4) Interest and similar income		
Net income from exchange rate increase	505 203	396 960
Interest income	7	708
	<u>505 210</u>	<u>397 668</u>

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	2013	2012
	Ls	Ls
(5) Interest and similar expenses		
Interest charge	683 783	704 357
Net loss from sale of foreign currency	-	950
	683 783	705 307

(6) Corporate income tax

a) Components of corporate income tax

Changes in deferred income tax	-	-
Corporate income tax according to the tax return	-	-
	-	-

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2013	2012
	Ls	Ls
Profit before taxes	164 590	(299 546)
Real estate tax	(2 764)	(3 269)
Profit or loss before corporate income tax	161 826	(302 815)
Theoretically calculated tax at 15% tax rate	24 274	(45 422)

Tax effects on:

Permanent differences	50 802	105 719
Deviation in the calculations in the previous period of temporary differences	(74 430)	-
Reclassification between temporary and permanent differences	-	70 987
Changes in unrecognized deferred tax asset	(646)	(131 284)
Total corporate income tax expenses	-	-

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the reporting year	-	-
Deferred tax expensed to the income statement	-	-
Deferred tax liabilities (asset) at the end of the reporting year	-	-

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013.	31.12.2012.
	Ls	Ls
Temporary difference on depreciation of tangible assets and investment properties	11 199	80 234
Gross deferred tax liabilities	11 199	80 234
Tax losses carried forward*	(1 787 858)	(1 857 540)
Unrecognized deferred tax asset	1 776 659	1 777 306
Gross deferred tax assets	(11 199)	(80 234)
Net deferred tax liability (assets)	-	-

* Accumulated tax losses as at 31 December 2013 amounted to Ls 11 919 056 (31 December 2012 - Ls 12 383 601).

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	2013	2012
(7) Other taxes	Ls	Ls
Real estate tax	2 764	3 269
	2 764	3 269

(8) Investment properties and tangible assets

	Investment properties			Tangible assets		
	Land and buildings	Investemnt properties under construction	Total	Other tangible assets	Tangible assets under construction *	Total
	Ls	Ls	Ls	Ls	Ls	Ls
Cost						
31.12.2012.	546 276	-	546 276	3 845	1 348 068	1 351 913
Purchase	-	-	-	-	288	288
Reclassification	-	-	-	(2 758)	-	(2 758)
31.12.2013.	546 276	-	546 276	1 087	1 348 356	1 349 443
Depreciation / Impairment						
31.12.2012.	(11 381)	-	(11 381)	(3 845)	(984 016)	(987 861)
Calculated	(13 657)	-	(13 657)	-	-	-
Reclassified	-	-	-	2 758	-	2 758
Reversal of impairment losses	-	-	-	-	347 670	347 670
31.12.2013.	(25 038)	-	(25 038)	(1 087)	(636 346)	(637 433)
Net carrying amount						
31.12.2012.	534 895	-	534 895	-	364 052	364 052
31.12.2013.	521 238	-	521 238	-	712 010	712 010

* In 2008 Company purchased real estate on 7 Daugavgrivas street, Riga, with initial cost Ls 1 290 722. In the previous reporting years the real estate value impaired of Ls 984 016. Real estate impairment losses performed at market value using discounted income method, value of real estate was established by independent expert.

In 2013 the evaluation of real estate at fair value has been performed by the independent expert. As the result of evaluation the estimated fair value exceeds the carrying amount by Ls 347 670. This amount is recognized in the income statement under "Other operating expenses" as the reversal of impairment losses recognized in the prior years. Real estate is not used in economic activity since the acquisition.

Investment properties under construction consist of investemnt property invested in share capital in 2011, obtained real estate, residential-office building Daugavgrivas street 7, Riga. The Company leased the real estate to group company Towers Construction Management AS.

The cadastral value of the land plots owned by the Company on 31 December 2013 is Ls 19 884 (31.12.2012. Ls 19 879) and buildings - Ls 334 959 (31 December 2012 - Ls 334 957).

The information on pledged tangible assets and investment properties is disclosed in the note No.16 to the financial statements.

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(9) Trade receivables	31.12.2013.	31.12.2012.
	Ls	Ls
Book value of trade receivables	1 604	1 199
(Provisions for bad and doubtful debts)	(1 121)	-
	<u>483</u>	<u>1 199</u>

Provisions for bad and doubtful debts have been made 100 % of their book value.

(10) Receivables from group companies	31.12.2013.	31.12.2012.
	Ls	Ls
Receivables from SPI RE Holdings S.a.r.l. Latvian branch*	680 027	700 012
Receivables from Towers Construction Management AS**	33 577	16 632
The loan and accrued interest - SPI RE Holdings S.a.r.l. Latvian branch ***	-	7 147
	<u>713 604</u>	<u>723 791</u>

* SPI RE Holdings S.a.r.l. Latvian branch debt consists of outstanding amount for services for real estate property management and invoiced construction costs.

** Towers Construction Management AS debt consists of outstanding part of office rent and maintenance costs.

*** In the previous year the Company has issued a loan to group company SPI RE Holdings S.a.r.l. Latvian branch. Loan had the interest 5% per annum. The principal and accrued interest have been paid during reporting year.

(11) Other receivables	31.12.2013.	31.12.2012.
	Ls	Ls
VAT overpaid (see Note 17 for details)	1 642	-
Real estate tax overpaid (see Note 17 for details)	872	173
Advance payments to suppliers	-	70 440
Corporate income tax (see Note 17 for details)	-	470
Personal income tax overpaid (see Note 17 for details)	-	93
Other receivables	1 032	161
	<u>3 546</u>	<u>71 337</u>

(12) Deferred expenses		
Prepayments of insurance payments	939	1 439
Other expenses	79	171
	<u>1 018</u>	<u>1 610</u>

(13) Cash and bank		
Cash at bank on current accounts	1	30
	<u>1</u>	<u>30</u>

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(14) Share capital

As at 31 December 2013, 100% of the Company's share capital belongs to S.P.I. Resources B.V., registered in Netherlands. As at 31 December 2013, the registered and fully paid share capital is Ls 3 045 000, consisting of 3 045 000 ordinary shares with a nominal value of 1 Ls each.

	31.12.2013.	31.12.2012.
(15) Trade payables	Ls	Ls
Payables for construction in progress	100 280	185 421
Accrued audit expenses	1 683	1 792
Other expenses	3 551	13 509
	<u>105 514</u>	<u>200 722</u>
(16) Payables to group companies		
Non-current		
Loan received and interest accrued from S.P.I. Resources B.V. repayable in 2-5 years	16 344 457	16 165 877
	<u>16 344 457</u>	<u>16 165 877</u>
Current		
Payables with SPI RE Holdings Sarl	150	-
	<u>150</u>	<u>-</u>

* On 15 May 2006 the Company signed loan agreement with S.P.I. Resources B.V., with amendments on 3 April 2008 for maximum credit facilities of USD 60 000 000. The annual interest rate of the loan is 5.75%. The calculated and unpaid interest during reporting period amounted to Ls 683 783 (31.12.2012 - Ls 704 357). The maturity date of the loan is May 2016.

As security of claims, which may arise according to loan contract, the Company had pledged the property on 7 Daugavgrivas street in favour of S.P.I.Resources B.V.. The maximum value of mortgage is Ls 31 003 641. As at 31 December 2013 residual value of mortgaged property is Ls 1 233 248.

(17) Taxes and social insurance payments

	31.12.2012.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Prior period adjustment	31.12.2013.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	411	992	5	(3 050)	-	(1 642)
Personal income tax	(93)	774	93	(774)	-	-
Corporate income tax	(470)	-	-	-	470	-
Real estate tax (land)	(173)	2 764	-	(3 463)	-	(872)
Total	<u>(325)</u>	<u>4 530</u>	<u>98</u>	<u>(7 287)</u>	<u>470</u>	<u>(2 514)</u>
Hereof						
(Overpaid) - see Notes 11 for details	(736)					(2 514)
Payables	411					-

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(18) Average number of employees	2013	2012
Average number of people employed during the financial year	<u>-</u>	<u>-</u>
(19) Remuneration to personnel	2013	2012
	Ls	Ls
Employee pay	-	7 978
Social insurance payments	-	1 923
other personnel expenses	<u>-</u>	<u>64</u>
	<u>-</u>	<u>9 965</u>

(20) Remuneration to the management

Board members do not receive remuneration for their duties. During the reporting year were not extended loans to the Board members.

(21) Operating lease commitments

In 27 August 2007 the Company signed lease agreement with Nordea Finance Latvia for car lease on 60 month period, the floating interest rate is 5.03% plus 6 month EURIBOR. The operating lease agreement was closed on September, 2013.

(23) Potential liabilities

The Company is a defendant in the lawsuit against Ierosme SIA, the claim relates to construction work done for a total amount of Ls 174 500 including fines and interest. The Company has filled the counter claim for the compensation of losses for the total amount of Ls 619 785. According to the Riga Regional Court, Court judgment of 26 September 2013, Ierosme SIA claim was accepted in part, for a total of Ls 164 425. Upon receipt of the full text of the judgment the management of the Company has submitted on February 11, 2014 an appeal against the Supreme Court of the Civil Division, the hearing date is not yet known. The outcome of the case is not clearly stated at this moment, but by the managements assessments it will be in favour of the Company. The financial statements include provisions for liabilities, which could arise from the negative result of the law suit.

(23) Managing financial risks

Financial risks, connected with the financial instruments of the Company, mainly, are foreign currency risk, credit risk and liquidity risk. The company do not use derivative financial instruments for financial risk management.

Foreign currency risks

The Company is subject to foreign currency exchange rate fluctuations, mainly due to its loans, performed in USD currency.

At the end of the year the Company has an open position in euro, but considering held in 2014 Latvian national currency changeover to the euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

The foreign exchange open position of the Company at the end of the reporting year:

	31.12.2013.	31.12.2012.
Financial assets, USD	-	-
Financial liabilities, USD	<u>31 736 809</u>	<u>(30 444 213)</u>
Open position USD, net	<u>31 736 809</u>	<u>(30 444 213)</u>
Open position USD, calculated in lats, net	<u>16 344 457</u>	<u>(16 165 877)</u>

Managing financial risks (continuation)

Credit risks

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and cash and its equivalents.

Most of the credit risk is originated from group companies debts. Taking into account financial position of the Group Company management assess credit risk for deals with group companies as insignificant.

Liquidity risk

Company monitors its liquidity risk keeping appropriate amount of money and its equivalents as well as using loan from mother company. See also Note 24 related to going concern.

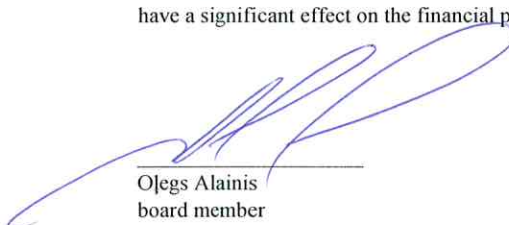
(24) Going concern

As at 31 December 2013 the Company has concluded the reporting year with profit in amount of Ls 161 826. On this date the Company's total liabilities exceeded assets for Ls 14 496 407.

At the same time the Company received a support letter from the parent company S.P.I. Group S.a.r.l. This letter is the guaranty of financial support to the Company in the future.

(25) Subsequent events

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2013.



Ojēgs Alainis
board member

Riga, 21 May 2014

The annual report has been approved by the general meeting of members _____ 2014

INDEPENDENT AUDITOR'S REPORT

to the Shareholder of Z TOWERS SIA

Report on the Financial Statements

We have audited the accompanying financial statements of Z TOWERS SIA (the Company) set out on pages 5 to 19 of the annual report. These financial statements comprise the balance sheet as at 31 December 2013, and the income statement, statement of cash flow and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia On Annual Reports and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

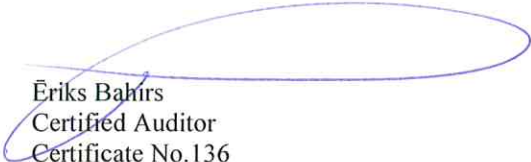
In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia On Annual Reports.



Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 as set on page 4 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements.

Baker Tilly Baltics SIA
Licence No. 80



Ēriks Bahrs
Certified Auditor
Certificate No.136
Chairman of the Board

Riga, 21 May 2014

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