SIA "Z Towers"

ANNUAL REPORT

for the period ended 31 December 2012

CONTENTS

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
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, 2012 - 31 December, 2012
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 continued during the year 2012. 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.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 21

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

In 2012 in accordance with signed agreements the Company will continue its co-operation with Starwood Hotel & Resorts Worldwide. 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. In 2013 the Company consider the possibility to merge the Company with Towers Construction Management AS.

Olegs Alainis
board member

Riga, 30 April 2013

INCOME STATEMENT

	Notes	2012 Ls	2011 Ls
Administrative expenses	(1)	(30 053)	(18 282)
Other operating income	(2)	18 901	4 268
Other operating expenses	(3)	19 245	(29 260)
Interest and similar income	(4)	397 668	4 290
Interest and similar expenses	(5)	(705 307)	(957 753)
Profit or losses before taxes		**(299 546)**	**(996 737)**
Other taxes	(7)	(3 269)	(916)
Net profit or losses		**(302 815)**	**(997 653)**

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

Oļegs Alainis
board member

Riga, 30 April 2013

BALANCE SHEET

	Notes	31.12.2012. Ls	31.12.2011. Ls
ASSETS			
Non-current assets			
Tangible assets			
Other tangible assets	(8)	-	43
Tangible assets under construction	(8)	364 052	364 052
Total tangible assets:		**364 052**	**364 095**
Investment property:			
Land and buildings	(8)	534 895	-
Investment properties under construction	(8)	-	546 276
Total non-current financial investments:		**534 895**	**546 276**
Total non-current investments:		**898 947**	**910 371**
Account receivable			
Receivables			
Receivables from group companies	(9)	723 791	950 860
Trade receivables		1 199	1 054
Other receivables	(10)	71 337	71 189
Deferred expenses	(11)	1 610	1 081
Accrued income		11 863	-
Total receivables:		**809 800**	**1 024 184**
Cash and bank	(12)	**30**	**118**
Total current assets:		**809 830**	**1 024 302**
Total assets		**1 708 777**	**1 934 673**

EQUITY, PROVISIONS AND LIABILITIES	Notes	31.12.2012. Ls	31.12.2011. Ls
Equity			
Share capital	(13)	3 045 000	3 045 000
Retained earnings			
previous year's retained earnings		(17 400 418)	(16 402 765)
current years profit or losses		(302 815)	(997 653)
Total equity:		**(14 658 233)**	**(14 355 418)**
Liabilities			
Non-current liabilities			
Payables to group companies	(15)	16 165 877	15 858 480
Total non-current liabilities:		**16 165 877**	**15 858 480**
Current liabilities			
Payables to group companies	(15)	-	231 932
Trade payables	(14)	200 722	193 997
Taxes and social insurance payments	(16)	411	5 682
Total current liabilities:		**201 133**	**431 611**
Total liabilities:		**16 367 010**	**16 290 091**
Total equity, provisions and liabilities		**1 708 777**	**1 934 673**

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

Olegs Alainis
board member

Riga, 30 April 2013

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Retained earnings
	Ls	Ls	Ls
31.12.2010.	**2 500 000**	**(16 402 765)**	**(13 902 765)**
Share capital increase	545 000	-	545 000
Losses for the year	-	(997 653)	(997 653)
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)**

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

Olegs Alainis
board member

Riga, 30 April 2013

CASH FLOW STATEMENT

	Notes	2012 Ls	2011 Ls
Cash flow from operating activities			
Profit or losses before taxes		**(299 546)**	**(996 737)**
Adjustments for:			
depreciation of tangible assets and investment properties		11 424	155
interest payment		704 357	651 718
interest income		(708)	(4 290)
(gains)/losses from exchange rate fluctuations		(396 960)	304 498
Cash flow prior to changes in current assets and liabilities		**18 566**	**(44 656)**
Account receivable (increase)/decrease		103 895	(67 145)
Account payable increase/(decrease)		(233 746)	(19 453)
Net cash flow generated from operating activities		**(111 285)**	**(131 254)**
Cash flow from investing activities			
Acquisition of tangible assets and investment properties		-	(1 276)
Issued loans		(87 000)	(160 400)
Issued loans repaid		193 439	47 053
Loans interest received		4 758	-
Net cash flow generated from investing activities		**111 197**	**(114 623)**
Cash flow from financing activities			
Loans received		-	245 981
Net cash flow generated from financing activities		-	**245 981**
Net increase / (decrease) in cash and cash equivalents		**(88)**	**104**
Cash and cash equivalents at the beginning of the financial year		**118**	**14**
Cash and Cash equivalents at the end of the financial year	(12)	**30**	**118**

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

Olegs Alainis
board member

Riga, 30 April 2013

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) 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.

	31.12.2012.	31.12.2011.
	Ls	Ls
1 USD	0.531	0.544
1 EUR	0.702804	0.702804

(3) 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.

The Company's current year income include the income from reinvoiced expenses for real estate property construction and total value of service provided, excluding discounts and VAT. In the financial statements it is recognized in the income statement on net amount under "Other operating income".

(4) 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.

(5) 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%.

(6) 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.

(7) 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 .

(8) 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.

(9) 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.

(10) 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.

II. OTHER NOTES

(1) Administrative expenses

	2012 Ls	2011 Ls
Depreciation of tangible assets and investment properties	11 424	155
Salary expenses	8 042	486
Professional services costs	4 082	10 474
Insuarance costs	2 084	1 040
Social insurance costs	1 923	120
Transport costs	1 102	667
Bank charges	36	2
Electricity costs	-	201
Communication service	-	6
Other administrative expenses	1 360	5 131
	30 053	**18 282**

(2) Other operating income

	2012	2011
Income from reinvoiced costs related to real estate property construction	-	43 367
Costs related to real estate property construction	-	(41 833)
Net profit	-	1 534
Lease income	3 412	2 734
Other income	15 489	-
	18 901	**4 268**

(3) Other operating expenses

	2012	2011
Penalties	221	110
Bank charges	119	127
Provision of non-recoverable VAT overpaid	(22 955)	22 955
Other expenses	3 371	6 069
	(19 245)	**29 260**

(4) Interest and similar income

	2012	2011
Net income from exchange rate increase	396 960	-
Interest income	708	4 290
	397 668	**4 290**

(5) Interest and similar expenses

	2012	2011
	Ls	Ls
Interest charge	704 357	651 718
Net loss from exchange rate fluctuations	-	305 501
Net loss from sale of foreign currency	950	533
	705 307	957 753

(6) Corporate income tax

a) Components of corporate income tax

	2012	2011
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:

	2012	2011
	Ls	Ls
Profit before taxes	(299 546)	(996 737)
Real estate tax	(3 269)	(916)
Profit or loss before corporate income tax	(302 815)	(997 653)
Theoretically calculated tax at 15% tax rate	**(45 422)**	**(149 648)**
Tax effects on:		
Permanent differences	105 719	101 910
Reclassification between temporary and permanent differences	70 987	-
Changes in unrecognized deferred tax asset	(131 284)	47 738
Total corporate income tax expenses	-	-

b) Movement and components of deferred tax

	2012	2011
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):

	31.12.2012.	31.12.2011.
	Ls	Ls
Temporary difference on depreciation of tangible assets and investment properties	80 234	6
Gross deferred tax liabilities	**80 234**	**6**
Tax losses carried forward*	(1 857 540)	(1 908 596)
Unrecognized deferred tax asset	1 777 306	1 908 590
Gross deferred tax assets	**(80 234)**	**(6)**
Net deferred tax liability (assets)	-	-

* Accumulated tax losses as at 31 December 2012 amounted to Ls 12 383 601 (31 December 2011 - Ls 12 723 976).

(7) Other taxes	2012 Ls	2011 Ls
Real estate tax	3 269	916
	3 269	916

(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						
31.12.2011.	-	546 276	546 276	3 845	1 348 068	1 351 913
Reclassification	546 276	(546 276)	-	-	-	-
31.12.2012.	546 276	-	546 276	3 845	1 348 068	**1 351 913**
Depreciation / Impairment						
31.12.2011.	-	-	-	(3 802)	(984 016)	(987 818)
Calculated	(11 381)	-	(11 381)	(43)	-	(43)
31.12.2012.	(11 381)	-	(11 381)	(3 845)	(984 016)	**(987 861)**
Net carrying amount 31.12.2011.	-	**546 276**	**546 276**	**43**	**364 052**	**364 095**
Net carrying amount 31.12.2012.	**534 895**	-	**534 895**	-	**364 052**	**364 052**

* 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 was evaluated according to recoverable value using discounted cash flow method, value of real estate was established by independent expert.

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

The cadastral value of the land plots owned by the Company on 31 December 2012 is Ls 19 879 (31.12.2011. Ls 33 323) and buildings - Ls 334 957 (31 December 2011 - Ls 334 957).

The information on pledged tangible assets is disclosed in the note No.15 to the financial statements.

(9) Receivables from group companies

	31.12.2012. Ls	31.12.2011. Ls
The loan and accrued interest - SPI RE Holdings S.a.r.l. Latvian branch *	7 147	117 636
Receivables from SPI RE Holdings S.a.r.l. Latvian branch**	700 012	833 224
Receivables from Towers Construction Management AS**	16 632	-
	723 791	**950 860**

* In the previous and in the reporting 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.

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

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

(10) Other receivables

	31.12.2012. Ls	31.12.2011. Ls
Advance payments to suppliers	70 440	70 441
Corporate income tax (see Note 16 for details)	470	470
Real estate tax overpaid (see Note 16 for details)	173	173
Personal income tax overpaid (see Note 16 for details)	93	-
VAT overpaid (see Note 16 for details)	-	22 955
Provision for non-recoverable VAT overpayment	-	(22 955)
Other receivables	161	105
	71 337	**71 189**

(11) Deferred expenses

Prepayments of insurance payments	1 439	666
Payments under operating lease	-	336
Other expenses	171	78
	1 610	**1 081**

(12) Cash and bank

Cash at bank on current accounts	30	118
	30	**118**

(13) Share capital

As at 31 December 2012, 100% of the Company's share capital belongs to S.P.I. Resources B.V., registered in Netherlands. As at 31 December 2012, 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.

(14) Trade payables

	31.12.2012. Ls	31.12.2011. Ls
Payables for construction in progress	185 421	192 267
Accrued audit expenses	1 792	1 616
Other expenses	13 509	115
	200 722	**193 997**

(15) Payables to group companies

Non-current		
Loan received and interest accrued from S.P.I. Resources B.V. repayable in 2-5 years	16 165 877	15 858 480
	16 165 877	**15 858 480**
Current		
Payables with Towers Construction Management AS **	-	231 932
	-	**231 932**

* 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 704 357 (31.12.2011 - Ls 651 718). The maturity date of the loan is 15 May 2016.

** In December 2010 Company signed 3 partial novation agreement with Towers Construction Management AS and the third parties regarding previously concluded non residential lease contracts. According to previously mentioned contracts third parties made deposit payments for premises to Z Towers SIA. With conclusion of novation agreements Towers Construction Management AS overtook obligations from Z Towers SIA , in the result the Company has a payables to Towers Construction Management AS. During reporting period the Company had settle the debt.

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 2012 residual value of mortgaged property is Ls 898 947.

(16) Taxes and social insurance payments

	31.12.2011.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other taxes	31.12.2012.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	(17 462)	317	157	17 258	141	411
Personal income tax	16	1 775	31	(1 775)	(140)	(93)
Social insurance payments	171	2 799	-	(2 970)	-	-
Corporate income tax	(470)	-	-	-	-	(470)
Real estate tax (land)	(173)	3 269	-	(3 269)	-	(173)
Insolvency risk duty	2	1	-	(2)	(1)	-
Total	**(17 916)**	**8 161**	**188**	**9 242**	-	**(325)**
Hereof						
(Overpaid)-	**(23 598)**					**(736)**
Payables	**5 682**					**411**

(17) Average number of employees

	2012	2011
Average number of people employed during the financial year	-	-

(18) Remuneration to personnel

	2012 Ls	2011 Ls
Employee pay	7 978	-
Social insurance payments	1 923	117
other personnel expenses	64	486
	9 965	603

(19) 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.

(20) 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.

In accordance with the rental agreements, the Company has following non-cancellable lease liabilities:	31.12.2012. Ls	31.12.2011. Ls
Payable within 1 year	-	3 403
Payable from 2 to 5 years	-	-
	-	3 403

(21) Managing financial risks

Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit 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 and other operations performed with euro and USD currency.

Since 2005 the Bank of Latvia has stated a fixed currency exchange rate for lats against euro, i.e. 0.702804, and ensure that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

Managing financial risks (continuation)

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

	31.12.2012.	31.12.2011.
Financial assets, EUR	37 331	216 700
Financial liabilities, EUR	(11 056)	(332 309)
Open position EUR, net	26 275	(115 609)
Open position EUR, calculated in lats, net	**18 466**	**(81 251)**
Financial assets, USD	-	-
Financial liabilities, USD	(30 444 213)	(29 152 349)
Open position USD, net	(30 444 213)	(29 152 349)
Open position USD, calculated in lats, net	**(16 165 877)**	**(15 858 878)**

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 22 related to going concern.

(22) Going concern

As at 31 December 2012 the Company has concluded the reporting year with losses in amount of Ls 302 815. On this date the Company's total liabilities exceeded assets for Ls 14 658 233.

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. In 2014 planned to consolidate the Company with group company Towers Construction Management AS. Accordingly, the Company's financial statements are prepared in accordance with going concern assumption.

(23) 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 2012.

Oļegs Alainis
board member

Riga, 30 April 2013

The annual report has been approved by the general meeting of members ______________ 2013

BAKER TILLY
BALTICS

Baker Tilly Baltics SIA
Kronvalda bulv. 10-32
Riga, LV-1010
Latvia
Tel.: +371 6732 1000
Fax.: +371 6732 4444
www.bakertillybaltics.lv

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 set out on pages 5 to 19 of the annual report. These financial statements comprise the balance sheet as at 31 December 2012, and the income statement, statement of cash flow and statement of changes in equity for the period from 1 January 2012 to 31 December 2012 (the Financial year), 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 Z Towers SIA as at 31 December 2012, and of its financial performance and its cash flows for the financial year 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 the financial year 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
License No. 80

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

Riga, 30 April 2013