

# **“Nordeka” JSC**

*Annual report in accordance with  
Latvian Statutory Requirements  
for the year ended 31 December 2014,  
and Independent Auditor’s Report\**

*\* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

## CONTENTS

	Page
Ancillary information	3
Management Report	4 - 5
Statement of responsibility of the Management	6
Financial statements:	
Income Statement	7
Balance Sheet	8 – 9
Statement of Cash Flows	10
Statement of Changes in Equity	11
Notes to the financial statements	12 - 25
Independent Auditor`s Report	26 - 27

## Ancillary information

Name of the Company	“Nordeka”
Legal Status	Joint-stock Company
Registration No., place and date	40003022404, Riga 02.09.1991
Legal Address	121 Dzirciema Str., Riga, LV-1055
Major shareholders	Juris Savickis (48.09%) Pēteris Ločmelis (35.22%)
NACE code	4931, City and suburbs passenger road transportation
Members of the Board	Sergejs Zabavņikovs, Chairman of the Board Aleksandrs Žodžiks, Board member Sergejs Konopiņevs, Board member Edijs Eisaks, Board member from 21.05.2014. Aivars Rimšāns, Board member from 21.05.2014. Gunārs Baubelis, Board member till 21.05.2014. Ēriks Žukovs, Board member till 21.05.2014.
Members of the Council	Juris Savickis, Chairman of the Council Mihails Kuzņecovs, deputy Chairman of the Council Valdis Jefimovs, member of the Council Natalja Savicka, member of the Council Sandra Savicka, member of the Council from 21.05.2014. Pēteris Ločmelis, member of the Council from 21.05.2014. Edijs Eisaks, member of the Council till 21.05.2014. Aldis Pauniņš, member of the Council till 21.05.2014.
Reporting year	01.01.2014. - 31.12.2014.
Previous reporting year	01.01.2013. - 31.12.2013.
Independent auditors' name and address	Deloitte Audits Latvia SIA Licence No. 43 Grēdu str. 4a, Riga, LV-1019 Latvia  Kitija Ķepīte Sworn auditor, Certificate No 182

## Management Report

In 2014 the principal business of NORDEKA JSC was passenger transportation services on intercity routes according to four Concession agreements of 24 November 2008 signed with State Ltd. “Autotransporta direkcija” on providing passenger transportation services in regional intercity routes.

The Company also in cooperation with “Air Baltic Corporation” JSC provided passenger transportation services on the “Airport Express” route, which connects international Airport “Rīga” with several hotels in the center of Riga and international coach terminal. The Company has also provided transport services on demand, including ice hockey clubs “Rīgas Dinamo”, “HK Rīga”, “HK Juniors” and their away teams within the championship of Continental Hockey League (KHL) and within junior Championship.

In 2014 net turnover was 11 960 623 EUR that was by 446 071 EUR or 3.87% more than in 2013 (11 514 552 EUR). One of the reasons for increase is that at the moment of preparing these financial statements the net turnover consisted also of received payments from State Ltd. "Autotransporta direkcija" for the year 2013 in amount of 325 627 EUR which were not recognized in the year 2013 income.

State Ltd. “Autotransporta direkcija” will be able to execute settlement of accounts for outstanding losses and profit share of year 2014 only after receipt and appraisal of audited annual reports for year 2014 from all companies involved in providing public transport services by buses, as prescribed by Cabinet of Ministers Regulation No 341 “The procedure of determination and compensation of losses and costs arisen from the provision of public transportation services and the order of setting tariffs for public transportation service”, adopted on 15 May, 2012.

The total commercial run in 2014 was 9 702 013 kilometers which was by 0.68% less than in 2013 (9 768 438 km). It is explained with the fact the Company did not provide transportation services in international routes.

Gross profit in 2014 was 1 453 948 EUR, that has increased by 547 842 EUR comparing to gross profit of 906 106 EUR in 2013. The loss before taxes is 39 733 EUR, because loss compensation from State Ltd. “Autotransporta direkcija” on intercity routes in 2013 and 2014 has not been covered in full amount.

In 2014 the Company acquired 5 almost new buses to ensure the fulfilment of regulations regarding the quality requirements for buses involved in provision of public transportation services, set in the Concession agreements concluded with State Ltd. “Autotransporta direkcija”. Consequently, the average age of Company’s bus fleet in 2014 has decreased to 7.56 years. According to the agreements of 16 April 2012, signed with State Ltd. “Autotransporta direkcija”, the mentioned quality requirements have to be accomplished by 1 January, 2015. The Company plans to continue the modernisation of its bus fleet also in 2015.

On 28 July 2014 an agreement on quality for buses in force from 1 January 2015 was signed with State Ltd. “Autotransporta direkcija”, which states that the info on route stops in the vehicle shall be provided with a visual or audio equipment. The Company has invested additional funds to implement successfully the requirements of the agreement, and has fulfilled the quality requirements stated in the agreement.

The Company's solvency ratio (equity / assets) as at 31.12.2014. was 0.19, compared to 0.21 as at 31.12.2013. The solvency ratio was mainly influenced by State Ltd. “Autotransporta direkcija” pending settlement of the uncovered losses for the year 2013 and profit share and pending settlement for the year 2014 as well.

The highest price for the Company’s share in 2014 in „NASDAQ OMX Riga” stock exchange was 1.00 EUR, the lowest – 0.506 EUR. The share price in the first transaction in 2014 was 0.923 EUR, but for the last – 0.90 EUR.

The Company holds ISO 9001:2008 management system certificate since 1 September 2004 for the service range “Regular internal and international carriage of passengers by coaches”. The actual certificate is valid until 31 August 2016. The certification and monitoring audits are carried out by DNV Certification OY/AB, Finland.

In 2014 the Company participated in State Ltd. "Autotransporta direkcija" organized procurement tender "The award of rights of providing public transport services by coaches in the regional intercity route network parts "Center-1A"/ "Center-1B"/ "Center-1C" (the tender was announced on 15 August 2014). In accordance with the results of the tender, the Company on 19 February, 2015, signed contracts with State Ltd. “Autotransporta direkcija” on the provision of the above mentioned services as of March 2015.

On 6 January 2015, the Company signed the cooperation agreement with the Secretariat of the Latvian Presidency of the Council of the European Union on providing services within the tender “Rental of coaches with drivers” (Procurement ID No. LPESPA 2014/20) organized by the Secretariat. This agreement was concluded for the period till 30 June 2015; the contract amount will not exceed EUR 300 000 excluding VAT.

In 2015 the course of development and financial results of the Company will mainly depend on the Company's ability to fulfil regulations of inland passenger transportation agreements stated in Concession agreements of 24 November 2008 “Public transportation services in regional intercity routes Nr.2008/01-K-C2/4-01 (Centrs 2); Nr. 2008/01-K-DR/3-01 (Dienvidrietumi); Nr. 2008/01-K-DA/5-01 (Dienvidastrumi); Nr. 2008/01-K-A/2-01 (Austrumi)” and newly adopted regulation of Cabinet of Ministers No 46, approved on 21 January 2014 on amendments to the Cabinet of Ministers Regulations No 341, that changes the procedures of determining the maximum compensation amount of costs. The Cabinet of Ministers regulations mentioned above obviously can negatively influence further financial performance of the Company, as the criteria used to calculate loss compensations are substantially changed as compared to those effective in 2008, when the Concession agreements were signed.

In January 2015 the management of the Company filed a petition in the Constitutional Court of the Republic of Latvia about the non-conformity of the 3rd paragraph of the regulation of Cabinet of Ministers No 341, approved on 15 May 2012, with the Constitution of the Republic of Latvia. On 13 February 2015, the Latvian Constitutional Court decided to initiate proceedings because of the occurrence of the violation of fundamental rights. The Company's requirement provides uncovered loss compensation for the year 2013 in total of 487 798.28 EUR (342 826.58 LVL).

The Corporate Governance report of NORDEKA JSC will be submitted to „NASDAQ OMX Riga” stock exchange together with the audited annual report for 2014.

During the reporting year, the accounting methods applied was the same as in the previous year.

Net result after taxes is loss in the amount of 65 913 EUR.

Annual report has been approved on 20 March 2015 by

---

Sergejs Zabavņikovs  
Chairman of the Board

---

Aleksandrs Žodžiks  
Member of the Board

---

Sergejs Konopijevs  
Member of the Board

---

Aivars Rimšāns  
Member of the Board

---

Edijs Eisaks  
Member of the Board

### **Statement of Responsibility of the Management**

The management of NORDEKA JSC (the Company) is responsible for preparation of the financial statements.

The management confirms that the financial statements have been prepared in accordance with the legislation of the Republic of Latvia and present fair and true view of the financial position of the Company as at 31 December 2014, and its financial performance and cash flows for the year then ended and the management report encloses fair description of NORDEKA JSC business development and results.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements presented on pages 7 to 25. The financial statements are prepared in accordance with the law “On Annual Reports” and “Law on Accounting” of the Republic of Latvia.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The management is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

The financial statements have been prepared on a going concern basis.

Annual report has been approved on 20 March 2015 by

---

Sergejs Zabavņikovs  
Chairman of the Board

---

Aleksandrs Žodžiks  
Member of the Board

---

Sergejs Konopijevs  
Member of the Board

---

Aivars Rimšāns  
Member of the Board

---

Edijs Eisaks  
Member of the Board

**Income statement for the year 2014**  
(by turnover cost method)

	Note	2014 EUR	2013 EUR
Net turnover	2	11 960 623	11 514 552
Costs of services rendered	3	(10 506 675)	(10 608 446)
<b>Gross profit</b>		<b>1 453 948</b>	<b>906 106</b>
Selling expenses	4	(343 079)	(350 483)
Administrative expenses	5	(984 478)	(1 035 066)
Other operating income	6	132 708	96 318
Other operating expenses	7	(67 958)	(133 053)
Interest expenses and similar expenses	8	(230 874)	(230 255)
<b>Loss before taxes</b>		<b>(39 733)</b>	<b>(746 433)</b>
Corporate income tax	22 (a)	-	-
Deferred tax	22 (a)	(1 346)	108 579
Other taxes	9, 19	(24 834)	(29 293)
<b>Loss for the year</b>		<b>(65 913)</b>	<b>(667 147)</b>

Notes on pages 12 to 25 form an integral part of these financial statements.

Annual report has been approved on 20 March 2015 by:

---

Sergejs Zabavņikovs  
Chairman of the Board

---

Aleksandrs Žodžiks  
Member of the Board

---

Sergejs Konopijevs  
Member of the Board

---

Aivars Rimšāns  
Member of the Board

---

Edijs Eisaks  
Member of the Board

## Balance Sheet as at 31 December 2014

Assets	Note	31.12.2014. EUR	31.12.2013. EUR
<b>1. Long-term investments</b>			
<b>Intangible assets</b>			
Licenses and other similar rights		54	103
<b>Total intangible assets</b>	<b>10</b>	<b>54</b>	<b>103</b>
<b>Fixed assets</b>			
Land and buildings		480 308	479 444
Equipment and machinery		150 286	96 546
Other fixed assets		6 758 856	7 455 615
Fixed assets under construction		1 100 156	-
<b>Total fixed assets</b>	<b>11</b>	<b>8 489 606</b>	<b>8 031 605</b>
<b>Long-term financial investments</b>			
Other securities and investments		26 370	26 370
Loans to the company's employees		2 846	2 846
<b>Total long-term financial investments</b>		<b>29 216</b>	<b>29 216</b>
<b>Total long-term investments</b>		<b>8 518 876</b>	<b>8 060 924</b>
<b>2. Current assets</b>			
<b>Inventory</b>			
Raw materials		176 241	213 980
Advance payments for goods		13	13
<b>Total inventory</b>	<b>12</b>	<b>176 254</b>	<b>213 993</b>
<b>Accounts receivable</b>			
Trade accounts receivable	<b>13</b>	220 809	230 703
Other receivables	<b>14</b>	483 591	108 515
Prepaid expenses	<b>15</b>	34 608	33 840
<b>Total accounts receivable</b>		<b>739 008</b>	<b>372 698</b>
<b>Cash</b>	<b>16</b>	<b>1 140 248</b>	<b>1 370 320</b>
<b>Total current assets</b>		<b>2 055 510</b>	<b>1 957 011</b>
<b>Total assets</b>		<b>10 574 386</b>	<b>10 017 934</b>

Notes on pages 12 to 25 form an integral part of these financial statements.

Annual report has been approved on 20 March 2015 by

\_\_\_\_\_  
Sergejs Zabavņikovs  
Chairman of the Board

\_\_\_\_\_  
Aleksandrs Žodžiks  
Member of the Board

\_\_\_\_\_  
Sergejs Konopijevs  
Member of the Board

\_\_\_\_\_  
Aivars Rimšāns  
Member of the Board

\_\_\_\_\_  
Edijs Eisaks  
Member of the Board



### Balance Sheet as at 31 December 2014

Liabilities	Note	31.12.2014. EUR	31.12.2013. EUR
<b>1. Equity</b>			
Share capital		2 669 223	2 712 830
<b>Other reserves</b>		43 607	-
Accumulated loss:			
a) accumulated loss		(625 531)	41 616
b) current year loss		(65 913)	(667 147)
<b>Total equity</b>	<b>17</b>	<b>2 021 386</b>	<b>2 087 299</b>
<b>2. Liabilities</b>			
<b>Long-term liabilities</b>			
Leasing liabilities	<b>18</b>	5 710 799	5 503 879
Deferred tax liabilities	<b>22(b)</b>	275 801	274 455
<b>Total long-term liabilities</b>		<b>5 986 600</b>	<b>5 778 334</b>
<b>Short-term liabilities</b>			
Leasing liabilities	<b>18</b>	1 783 463	1 403 620
Trade accounts payable		370 039	317 835
Taxes and social security payments	<b>19</b>	193 532	233 614
Other payables	<b>20</b>	200 100	185 241
Accrued liabilities	<b>21</b>	19 266	11 991
<b>Total short-term liabilities</b>		<b>2 566 400</b>	<b>2 152 301</b>
<b>Total liabilities</b>		<b>8 553 000</b>	<b>7 930 635</b>
<b>Total liabilities</b>		<b>10 574 386</b>	<b>10 017 934</b>

Notes on pages 12 to 25 form an integral part of these financial statements.

Annual report has been approved on 20 March 2015 by

\_\_\_\_\_  
Sergejs Zabavņikovs  
Chairman of the Board

\_\_\_\_\_  
Aleksandrs Žodžiks  
Member of the Board

\_\_\_\_\_  
Sergejs Konopijevs  
Member of the Board

\_\_\_\_\_  
Aivars Rimšāns  
Member of the Board

\_\_\_\_\_  
Edijs Eisaks  
Member of the Board

**Statement of cash flows**  
(by indirect method)

	Note No.	2014 EUR	2013 EUR
<b>I. Cash flow from operating activities</b>			
Loss before taxes		(39 733)	(746 433)
<b>Adjustments:</b>			
Depreciation of fixed assets	11	1 917 554	1 876 365
Amortization of intangible assets	10	49	51
(Profit) / loss on fixed assets disposed	6,7	(31 996)	26 599
Interest payments and similar expenses	8	230 874	230 255
Income from dividends		(2 344)	(3 516)
State subsidies calculated	2	(5 111 192)	(4 284 022)
Cash flows used in operating activities before changes in current assets and liabilities		<b>(3 036 788)</b>	<b>(2 900 701)</b>
<b>Adjustments:</b>			
(Increase) / decrease in receivables		(146 246)	913 831
Decrease / (increase) in inventory		37 738	(33 904)
Increase / (decrease) in trade payables		34 256	(27 975)
<b>Gross cash flow used in operating activities</b>		<b>(3 111 040)</b>	<b>(2 048 749)</b>
Real estate tax paid		(24 834)	(29 293)
State subsidies received		5 111 192	4 284 022
<b>Net cash flow from operating activities</b>		<b>1 975 318</b>	<b>4 254 729</b>
<b>II. Cash flow from investing activities</b>			
Acquisition of fixed assets and intangible assets		(291 335)	(227 727)
Income from sale of fixed and intangible assets		95 859	54 913
Received dividends		2 344	3 516
<b>Cash flow used in investing activities</b>		<b>(193 132)</b>	<b>(169 298)</b>
<b>III. Cash flow from financing activities</b>			
Lease payments		(1 781 384)	(1 742 772)
Interest payments		(230 874)	(230 254)
<b>Net cash flow used in financing activities</b>		<b>(2 012 258)</b>	<b>(1 973 026)</b>
<b>IV. Net increase in cash and cash equivalents</b>		<b>(230 072)</b>	<b>63 656</b>
V. Cash and cash equivalents at the beginning of the year		<b>1 370 320</b>	<b>1 306 664</b>
<b>VI. Cash and cash equivalents at the end of the year</b>	16	<b>1 140 248</b>	<b>1 370 320</b>

Notes on pages 12 to 25 form an integral part of these financial statements.

Annual report has been approved on 20 March 2015 by

\_\_\_\_\_  
Sergejs Zabavņikovs  
Chairman of the Board

\_\_\_\_\_  
Aleksandrs Žodžiks  
Member of the Board

\_\_\_\_\_  
Sergejs Konopijevs  
Member of the Board

\_\_\_\_\_  
Aivars Rimšāns  
Member of the Board

\_\_\_\_\_  
Edijs Eisaks  
Member of the Board

### Statement of changes in equity

	Share capital	Other reserves	Retained earnings / (accumulated loss)	Current year loss	Total equity
	EUR	LVL	EUR	LVL	EUR
<b>31.12.2012.</b>	<b>2 712 830</b>	-	<b>2 138</b>	<b>39 478</b>	<b>2 754 446</b>
Profit of 2012 transferred to retained earnings	-	-	39 478	(39 478)	-
Loss for the year	-	-	-	(667 147)	(667 147)
<b>31.12.2013.</b>	<b>2 712 830</b>	-	<b>41 616</b>	<b>(667 147)</b>	<b>2 087 299</b>
Profit of 2013 transferred to retained earnings	-	-	(667 147)	667 147	-
Reserve resulting from denomination	(43 607)	43 607	-	-	-
Loss for the year	-	-	-	(65 913)	(65 913)
<b>31.12.2014.</b>	<b>2 669 223*</b>	<b>43 607**</b>	<b>(625 531)</b>	<b>(65 913)</b>	<b>2 021 386</b>

\* On 10.06.2014 the denomination of the Company's shares was performed, and after the denomination the share capital consists of 1 906 588 shares with nominal value of each share 1.40 EUR with total value of the share capital 2 669 223 EUR.

\*\* The positive difference arising from the Company's shares denomination in the amount of 43 607 EUR was transferred into the Company's other reserves.

Notes on pages 12 to 25 form an integral part of these financial statements.

Annual report has been approved on 20 March 2015 by

\_\_\_\_\_  
Sergejs Zabavņikovs  
Chairman of the Board

\_\_\_\_\_  
Aleksandrs Žodžiks  
Member of the Board

\_\_\_\_\_  
Sergejs Konopijevs  
Member of the Board

\_\_\_\_\_  
Aivars Rimšāns  
Member of the Board

\_\_\_\_\_  
Edijs Eisaks  
Member of the Board

## Notes to the Financial Statements

### 1. Accounting policies

#### Basis of preparation of the Annual Report

The Annual Report is prepared in accordance with the law of the Republic of Latvia "On accounting" and "On the Annual Reports".

Income Statement is prepared by applying the turnover costs method. The Cash Flow Statement has been prepared using the indirect method.

Financial statements are based on historical cost valuation method.

The Company's financial records till 31 December 2013 were carried out in Latvian lats. On 1 January 2014, Latvia joined the euro zone and the Latvian lat was replaced by the euro. Since that date, the Company accounting is in euro currency. The transition to the euro was used the official exchange rate set by the Latvian Bank - 1 euro / 0.702804 Latvian lat.

The Company's financial statements are prepared in euro by translating prior year balances in lats to euro according to above mentioned official exchange rate of Bank of Latvia.

#### Accounting principles applied

Financial statements have been prepared in accordance with the following policies:

- a) Going concern assumption – the Company will continue as a going concern;
- b) Evaluation principles are consistent with the prior year;
- c) Items have been valued in accordance with the principle of prudence, i.e.:
  - the annual report reflects only the profit generated till the date of the balance sheet.
  - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the balance sheet date;
  - and all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses have been matched with revenue for the reporting period;
- e) Asset and liability items have been valued separately;
- f) The opening balance sheet matches the prior year closing balance sheet;
- g) Annual report contains all items, that have considerable influence in evaluation and economic decision making;
- h) Business transactions are recorded taking into account their economic content and substance, not merely the legal form.

#### Recognition of income and net turnover

##### *Net turnover*

Net sales represent the total of goods and services sold during the year net of discounts and value added tax. Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and the amount of revenue can be measured reliably. Sales of services are recognized in the accounting period in which the services are rendered.

Other income is recognized as follows:

- a) Income from rent – in the period for which it relates;
- b) Income from fines and penalties – at the moment of receiving;
- c) Dividends – at the moment, when declared.

##### *State subsidies*

In accordance with the laws and regulations of the Republic of Latvia the Company receives compensation for losses incurred from providing public transportation services. Received subsidies are recorded in income statement as revenue, when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

### *Expenses*

Expenses are recognized in the period to which they relate, regardless when the invoice is paid. Borrowing costs are expensed in the period for which they relate and included in the position “Interest and similar expenses”.

### **Intangible assets and fixed assets**

Intangible assets and fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is not calculated for land. Depreciation has been calculated by the straight-line method over their estimated useful lives based on the following annual depreciation rates set by management:

<i>Intangible assets:</i>	%
Licenses, softwares	33
<i>Fixed assets:</i>	
Buildings	5
Equipment and machinery	10 – 33
Transport vehicles	8 – 50
Computers and data storage equipment	33
Other fixed assets	10 – 33

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the highest one of the asset’s fair value less costs to sell or value in use.

Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Expenses related to leasehold improvements are capitalized as tangible non-current assets and depreciated over the lease period on a straight-line basis.

Any gain or loss arising on derecognizing of the asset (calculated as difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

### **Accounts receivable**

Accounts receivable are recognized and carried at original nominal amount less provisions for doubtful and bad debts. Provisions for doubtful and bad debts are recognized when the management considers that the collection of the full amount is doubtful. Provisions for bad debts are assessed by estimating the recoverability of each debt individually.

### **Inventory**

Inventory is valued by applying the FIFO method. Inventories are stated at the lower of cost and net realizable value. Obsolete, slow-moving or deficient stock has been valued at net realizable value. Net realizable value is sales price reduced by sales costs.

### **Foreign currency**

All items in the financial statements are translated from Lats (till 31.12.2013.) or Euro (after 1.01.2014.), applying the official exchange rate established by the Bank of Latvia or European Central Bank at the last day of the reporting period.

At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December.

The applicable rates used for the principal currencies as at 31 December are as follows:

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>LVL</b>
EUR	1.0000	0.702804
PLN	-	0.169000
LTL	-	0.204000
BYR 1000 units	-	0.054300

Foreign currency exchange rate fluctuation profit or loss are recognized in the profit or loss in net worth.

### **Cash**

Cash in the cash flow statement comprise the cash on hand and balances of current bank accounts.

### **Long-term and short-term items**

Amounts to be paid, received or to be written off in a time period longer than a year after the balance sheet date are classified as long term items. Amounts to be paid, received or written off within a year are classified as short term items.

### **Finance leases**

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments by a respective charge to current and non-current liabilities. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Loans and borrowings**

Loans and borrowings are recognized initially at the amount of proceeds received, net of transaction costs incurred. In subsequent periods, loans and borrowings are stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings.

### **Due to suppliers**

Due to suppliers represent current liabilities and are stated at their nominal value.

### **Corporate income tax**

Corporate income tax for the reporting period has been calculated in accordance with the requirements of the law of the Republic of Latvia "On corporate income tax", applying a 15% rate fixed by the law.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the

balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences arise from different accounting and tax depreciation rates of fixed assets, tax losses carried forward, provisions for inventories and provisions for unused vacations. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

### **Related parties**

Related parties are defined as shareholders who have significant influence over the Company, members of the Council and the Board of Directors, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that this commitment will require resources outflow from the Company and amounts can be reliably estimated.

### **Use of estimates and critical accounting judgments**

The legislation of the Republic of Latvia require that in preparing the financial statements, the management of the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The following are the critical judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- The Company reviews the estimated useful lives of tangible fixed assets at the end of each annual reporting period. The management of the Company uses their judgment in estimating useful lives of tangible fixed assets and their assumptions do not indicate that any adjustments should be made in the useful lives of assets as on 31 December 2014. These assumptions and calculated depreciation may change in the next periods.
- The Company reviews property, plant and equipment and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.  
The Company calculates and records loss on impairment of property, plant and equipment on the basis of an evaluation of their future use, planned liquidation or sale. The management of the Company believes that no material adjustments are needed due to impairment of the Company's assets considering the planned production and sales levels;
- The Company assesses recoverability of unused tax losses; The Company recognized a deferred tax asset from tax losses carried forward in the amount of 2 649 109 EUR (2013: 3 004 380 EUR) (see note 22). The Company reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to enable its recovery. As on 31 December 2014 the Company assessed that there are sufficient taxable temporary differences which are expected to reverse in the same periods into which a tax loss arising from the deferred tax asset can be carried forward.

## 2. Net turnover

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
<i>Net turnover split by geographical markets:</i>		
Latvia	6 778 502	7 088 141
Subsidies (State Ltd “Autotransporta direkcija”)*	5 111 192	4 284 022
Foreign countries	70 929	142 389
<b>Total</b>	<b><u>11 960 623</u></b>	<b><u>11 514 552</u></b>
<i>Net turnover split by types of activities:</i>		
	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Income from operating activity	6 705 747	7 107 599
Subsidies (State Ltd “Autotransporta direkcija”)	5 111 192	4 284 022
Commission income	38 672	40 549
Other income	105 012	82 382
<b>Total</b>	<b><u>11 960 623</u></b>	<b><u>11 514 552</u></b>

\* The Company’s revenue for the year 2014 includes only actually received loss compensation from the State Ltd. "Autotransporta direkcija" for the year 2014 and actually received loss compensation for the year 2013 in amount of 325 627 EUR not recognized in profit or loss statement in year 2013. As significant uncertainty for extra amount of compensation exists, the management of the Company has made a decision not to recognize extra revenue in profit or loss statement for the year 2014.

## 3. Costs of services rendered

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Personnel expenses:	3 596 077	3 542 411
<i>Salaries</i>	2 921 197	2 866 288
<i>Social security contributions</i>	674 880	676 123
Fuel expenses	2 875 660	3 030 018
Depreciation and amortization	1 901 048	1 860 344
Bus station services	534 511	535 464
Spare part expenses	317 240	320 495
Insurance expenses	234 968	220 706
Tire expenses	107 278	109 661
Maintenance expenses	33 812	42 046
Other supply costs	111 701	115 812
Other costs	794 380	831 489
<b>Total</b>	<b><u>10 506 675</u></b>	<b><u>10 608 446</u></b>

## 4. Selling expenses

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Commissions for tickets sold	334 129	331 300
Advertising expenses	8 950	19 183
<b>Total</b>	<b><u>343 079</u></b>	<b><u>350 483</u></b>



**5. Administrative expenses**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Personnel expenses:	804 494	841 186
<i>Salaries</i>	674 696	687 216
<i>Social security payments</i>	129 798	153 970
Bank services	10 176	15 232
Business trips	9 465	12 528
Other expenses*	160 343	166 120
<b>Total</b>	<b><u>984 478</u></b>	<b><u>1 035 066</u></b>

\*During 2014 the Company received audit services from Deloitte Audits Latvia SIA for total amount of EUR 11 400.

**6. Other operating income**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Recovered insurance premiums	97 510	92 696
Profit from disposed and sold fixed assets, net	31 996	-
Other income	3 202	3 622
<b>Total</b>	<b><u>132 708</u></b>	<b><u>96 318</u></b>

**7. Other operating expenses**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Loss from disposed fixed assets, net	-	26 599
Loss of exchange rate fluctuations, net	1 114	16 453
Other	66 844	90 001
<b>Total</b>	<b><u>67 958</u></b>	<b><u>133 053</u></b>

**8. Interest expenses and similar expenses**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
SIA SEB Līzings	137 332	129 867
SIA UniCredit Leasing	54 348	75 478
SIA Swedbank Līzings	39 194	24 910
<b>Total</b>	<b><u>230 874</u></b>	<b><u>230 255</u></b>

**9. Other taxes**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Real estate tax (see note 19)	24 834	29 293
<b>Total</b>	<b><u>24 834</u></b>	<b><u>29 293</u></b>

## 10. Intangible assets

	<b>Licenses and other similar rights</b>
	<b>EUR</b>
<b>Historical cost 31.12.2013.</b>	<b>133 951</b>
Additions	-
Disposals	(2 709)
<b>31.12.2014.</b>	<b>131 242</b>
<b>Accumulated amortization 31.12.2013.</b>	<b>133 848</b>
Calculated	49
Disposed	(2 709)
<b>31.12.2014.</b>	<b>131 188</b>
<b>Net book value at 31.12.2013.</b>	<b>103</b>
<b>Net book value at 31.12.2014.</b>	<b>54</b>

## 11. Fixed assets

	<b>Land and buildings</b>	<b>Equipment and machinery</b>	<b>Other fixed assets</b>	<b>Fixed assets under construction</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Historical cost</b>					
<b>31.12.2013.</b>	<b>1 790 223</b>	<b>315 621</b>	<b>17 381 561</b>	<b>-</b>	<b>19 487 405</b>
Additions	78 216	94 125	1 166 921	1 100 156	2 439 418
Disposals	-	(77 845)	(1 762 750)	-	(1 840 595)
<b>31.12.2014.</b>	<b>1 868 439</b>	<b>331 901</b>	<b>16 785 732</b>	<b>1 100 156</b>	<b>20 086 228</b>
<b>Accumulated depreciation</b>					
<b>31.12.2013.</b>	<b>1 310 779</b>	<b>219 075</b>	<b>9 925 946</b>	<b>-</b>	<b>11 455 800</b>
Calculated	77 352	40 385	1 799 817	-	1 917 554
Disposed	-	(77 845)	(1 698 887)	-	(1 776 732)
<b>31.12.2014.</b>	<b>1 388 131</b>	<b>181 615</b>	<b>10 026 876</b>	<b>-</b>	<b>11 596 622</b>
<b>Net book value at 31.12.2013.</b>	<b>479 444</b>	<b>96 546</b>	<b>7 455 615</b>	<b>-</b>	<b>8 031 605</b>
<b>Net book value at 31.12.2014.</b>	<b>480 308</b>	<b>150 286</b>	<b>6 758 856</b>	<b>1 100 156</b>	<b>8 489 606</b>

The value of real estate as at 31.12.2014. is 480 308 (2013 : 479 444 EUR), the cadastral value of real estate as at 31.12.2014. is 1 628 565 EUR (2013 : 1 952 591 EUR).

Historical cost of fixed assets that have been fully depreciated but are still in active use is 4 456 607 EUR (2013: 3 638 564 EUR).

The value of acquired assets under finance lease during year 2014 is 1 267 991 EUR (including VAT 220 064 EUR). Total net book value of assets under finance lease as at 31.12.2014. is 6 620 636 EUR (2013 : 7 302 271 EUR).

## 12. Inventory

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Carrying value of inventories	193 087	228 231
Advance payments for goods	13	13
Provision for slow moving inventory	(16 846)	(14 251)
<b>Net value</b>	<b><u>176 254</u></b>	<b><u>213 993</u></b>

Provisions for slow moving inventory :

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Provisions for inventory at the beginning of the year</b>	14 251	47 333
Calculated for the year	2 595	4 132
Written off during the year	-	(37 214)
<b>Provisions for inventory at the end of the year</b>	<b><u>16 846</u></b>	<b><u>14 251</u></b>

## 13. Trade accounts receivable

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Trade accounts receivable	230 607	240 311
Provisions for doubtful debtors	(9 798)	(9 608)
<b>Net value</b>	<b><u>220 809</u></b>	<b><u>230 703</u></b>

Provisions for doubtful debtors:

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Provisions for doubtful debtors at the beginning of the year</b>	9 608	9 608
Calculated for the year	926	-
Written off during the year	(736)	-
<b>Provisions for doubtful debtors at the end of the year</b>	<b><u>9 798</u></b>	<b><u>9 608</u></b>

## 14. Other receivables

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Tax overpayment (see note 19)	162 978	88 141
Settlements with suppliers (advance payments)	147 766	1 179
Warranty payment	140 000	-
Due from employees	1 367	1 591
Debt from State Ltd “Autotransporta direkcija”*	-	-
Other debtors	31 480	17 604
<b>Total</b>	<b><u>483 591</u></b>	<b><u>108 515</u></b>

\*As stated in Note 2 at the moment of preparing these financial statements confirmation from State Ltd „Autotransporta direkcija” for amount of loss compensation incurred from providing public transportations services in 2014 is not received. Accordingly the balance of accrued income as of 31 December 2014 is 0.

## 15. Prepaid expenses

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Insurance	27 884	30 854
Newspaper subscription	947	835
Other	5 777	1 791
<b>Total</b>	<b><u>34 608</u></b>	<b><u>33 480</u></b>

## 16. Cash

	31.12.2014.		31.12.2013.	
	Currency	EUR	Currency	EUR
Cash on hand				
	BYR	-	2 175 400	168
	EUR	-	10 244	10 244
	LTL	-	968	282
	LVL	-	5 429	7 725
Cash in the bank				
	EUR	-	29 235	29 235
	LVL	-	918 621	1 307 080
Cash in transit		21 952		15 586
<b>Total</b>		<b>1 140 248</b>		<b>1 370 320</b>

## 17. Share capital

Share capital of the Company as at 31 December 2014 and 2013 consists of 1 906 588 ordinary shares with voting rights. All shares are fully paid. The nominal value of each share is 1.40 EUR. (In 2013 the nominal value of each share was 1 LVL). Positive difference of 43 607 EUR as the result of denomination is credited to the Company's other reserves.

As at 31 December 2014 and 2013 shares of the Company were split as follows:

	Number of shares 31.12.2014.	Proportion 31.12.2014.	Number of shares 31.12.2013.	Proportion 31.12.2013.
Juris Savickis	916 970	48.09%	916 970	48.09%
Pēteris Ločmelis	671 583	35.22%	634 800	33.30%
Sandra Savicka	138 847	7.28%	138 847	7.28%
Other shareholders	179 188	9.41%	215 971	11.33%
<b>Total</b>	<b>1 906 588</b>	<b>100.00%</b>	<b>1 906 588</b>	<b>100.00%</b>

Part of the Company`s shares (in accordance with initial prospect – 455 772 pcs.) are publicly traded in “NASDAQ OMX Riga” stock exchange in the secondary list.

## 18. Leasing liabilities

Table below discloses finance lease liabilities as of 31.12.2014. and as of 31.12.2013.:

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
<b>Swedbank Līzings SIA:</b>		
Short term part	257 746	192 305
Long term part	1 242 250	934 848
<b>Finance lease payments, total</b>	<b>1 499 996</b>	<b>1 127 153</b>
<b>UniCredit Leasing SIA:</b>		
Short term part	339 129	444 878
Long term part	574 749	913 878
<b>Finance lease payments, total</b>	<b>913 878</b>	<b>1 358 756</b>
<b>SEB Līzings SIA:</b>		
Short term part	1 186 588	766 437
Long term part	3 893 800	3 655 153
<b>Finance lease payments, total</b>	<b>5 080 388</b>	<b>4 421 590</b>
<b>Short term part, total</b>	<b>1 783 463</b>	<b>1 403 620</b>
<b>Long term part, total</b>	<b>5 710 799</b>	<b>5 503 879</b>

The currency of the lease liabilities is EUR. Interest rate consists of fixed part (in the range of 2.35 – 4.5% p.a.) and variable part of 3 months EURIBOR.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of 6 620 636 EUR (31.12.2013.: 7 302 271 EUR)

### Future leasing payments are following:

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
within 1 year	1 783 463	1 403 620
from 2 to 5 years	5 550 201	5 450 685
longer than 5 years	160 598	53 194
<b>Total</b>	<b>7 494 262</b>	<b>6 907 499</b>

The Company has signed credit line agreement with AS Swedbank with available limit of 569 149 EUR. It is secured by mortgage – real estate in Dzirciema street 121, Riga. Maturity of the agreement is 28 February 2016. Commission for the credit line is 0.5% per year which is calculated from the unused part of credit line. Credit line was not used as of 31 December 2014 and as of 31 December 2013.

## 19. Taxes and social security contributions

Taxes	Balance as at 31.12.2013. EUR	Charge for year 2014 EUR	Paid/(return) In 2014 EUR	Balance as at 31.12.2014. EUR
Corporate income tax	-	-	-	-
Value added tax	(88 141)	(446 220)	371 383	(162 978)
Social security contributions	144 885	1 161 047	(1 190 212)	115 720
Personal income tax	88 140	673 543	(684 031)	77 652
Real estate tax	-	24 834	(24 834)	-
Natural resources tax	478	815	(1 248)	45
Risk duty	111	1 381	(1 377)	115
<b>Total:</b>	<b>145 473</b>	<b>1 415 400</b>	<b>(1 530 319)</b>	<b>30 554</b>
<b>Including:</b>				
<i>Overpaid</i>	<i>(88 141)</i>			<i>(162 978)</i>
<i>Liabilities</i>	<i>233 614</i>			<i>193 532</i>

Tax overpayments are included in the balance sheet item “Other receivables” (Note 14).

## 20. Other payables

	31.12.2014. EUR	31.12.2013. EUR
Salaries	198 588	184 140
Due to employees (advance payments)	1 512	1 101
<b>Total</b>	<b>200 100</b>	<b>185 241</b>

## 21. Accrued liabilities

	31.12.2014. EUR	31.12.2013. EUR
Accrued liabilities for unused vacations	19 266	11 991
<b>Total</b>	<b>19 266</b>	<b>11 991</b>

## 22. Corporate income tax

### a) Current year tax expenses

	2014 EUR	2013 EUR
Current year Corporate income tax	-	-
Deferred tax expenses /(income)	1 346	(108 579)
<b>Total</b>	<b>1 346</b>	<b>(108 579)</b>

**b) Deferred tax movement**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Deferred income tax liabilities at the beginning of the reporting year	274 455	383 034
Deferred tax recognized in income statement	1 346	(108 579)
<b>Deferred tax liabilities at the end of the reporting year</b>	<b>275 801</b>	<b>274 455</b>

**c) Deferred tax calculation**

Deferred tax is calculated from the following temporary differences between the assets and liabilities carrying amounts in the balance sheet and the corresponding tax bases used in the calculation of corporate income tax:

	<b>31.12.2014.</b>	<b>31.12.2014.</b>	<b>31.12.2013.</b>	<b>31.12.2013.</b>
		<b>Tax effect</b>		<b>Tax effect</b>
	<b>EUR</b>	<b>15%</b>	<b>EUR</b>	<b>15%</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Gross deferred tax liability:</b>	<b>(4 523 892)</b>	<b>(678 584)</b>	<b>(4 860 317)</b>	<b>(729 047)</b>
Temporary difference on fixed assets depreciation	(4 523 892)	(678 584)	(4 860 317)	(729 047)
	<b>2 685 221</b>	<b>402 783</b>	<b>3 030 621</b>	<b>454 592</b>
<b>Gross deferred tax asset:</b>	<b>2 649 109</b>	<b>397 366</b>	<b>3 004 380</b>	<b>450 656</b>
Tax losses carried forward	16 846	2 527	14 251	2 137
Provisions for inventory	19 266	2 890	11 990	1 799
Provisions for unused vacations	(1 838 671)	(275 801)	(1 829 696)	(274 455)

**d) Actual corporate income tax charge for the reporting year, compared with theoretical calculation:**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Loss before tax	(39 733)	(746 433)
Real estate tax	(24 834)	(29 293)
<b>Loss before corporate income tax</b>	<b>(64 567)</b>	<b>(775 726)</b>
Theoretically calculated corporate income tax (15%)	(9 685)	(116 359)
<i>Permanent differences (15%):</i>		
Expenses not deductible for tax purposes	11 031	7 780
<b>Actual tax expenses / (income) for the reporting year:</b>	<b>1 346</b>	<b>(108 579)</b>

As at 31 December 2014 total tax losses amount to 2 649 109 EUR (2013: 3 004 380 EUR). These tax losses have accrued during the period from 2008 to 2010, and in 2013 and can be used in unlimited period of time. As at 31 December 2014 tax losses have been recognized to the extent they can be used to offset the reversal of existing taxable temporary differences.

**23. Number of persons employed by the company**

	<b>2014</b>	<b>2013</b>
Average number of employees during the reporting year	316	308

#### 24. Personnel expenses\*

Type of expenses	2014 EUR	2013 EUR
Salaries	2 921 197	2 866 288
Social security contributions	674 880	676 123
<b>Total</b>	<b>3 596 077</b>	<b>3 542 411</b>

\*Personnel expenses are presented under Costs of services rendered (see Note 3). Personnel expenses do not include remuneration for management, board and council, which is disclosed in Note 25.

#### 25. Management remuneration

Type of expenses	2014 EUR	2013 EUR
Council members' remuneration		
- Salary expenses	192 164	128 912
- Social security payments	28 862	29 398
Board members' remuneration		
- Salary expenses	106 343	49 516
- Social security payments	22 467	10 639
Management remuneration		
- Salary expenses	376 189	508 787
- Social security payments	78 469	113 934
<b>Total</b>	<b>804 494</b>	<b>841 186</b>

The remuneration of the Company's Council and Management Board is fixed in size and comprised 7.95% of total personell expenses in 2014 (in 2013 - 4.98%).

#### 26. Contingent liabilities

The Company has signed rent agreement for land with maturity 31 December 2028. Annual rent payments are as follows:

Period	EUR
within 1 year	60 657
from 2 to 5 years	303 283
after 5 years	485 253
<b>Total</b>	<b>849 193</b>

#### 27. Transactions with related parties

	Creditors 31.12.2014. EUR	Debtors 31.12.2014. EUR	Income 2014 EUR	Expenses 2014 EUR
J. Savickis	-	-	-	74 678
<b>Kopā</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74 678</b>
	Creditors 31.12.2013. EUR	Debtors 31.12.2013. EUR	Income 2013 EUR	Expenses 2013 EUR
J. Savickis	-	-	-	76 835
<b>Kopā</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76 835</b>



---

*Type of expenses	2014 EUR	2013 EUR
Land rent	74 678	76 835
<b>Total</b>	<b>74 678</b>	<b>76 835</b>

There have been no guarantees provided or received for any related party debt.

## 28. Legal proceedings

In 2008 the Company participated in the public tender for provision of public transportation services in Latvia. The Company won tender and signed Concession Contracts with State owned limited liability company “Autotransporta Direkcija” for the period of 12 years for provision of public transport services on following route networks “Centrs 2”, “Austrumi”, “Dienvidaustrumi”, and “Dienvidrietumi”.

The Concession Contract on route network ‘Centrs 1’ was not signed due to the fact the tender results were challenged in the court pursuant to the law. The case was reviewed in cassation instance on June 5, 2014. The Regional Administrative Court judgment was upheld (claim satisfied).

The management of the Company has assessed the risks related to these legal proceedings and believes that no future losses will arise from these legal proceedings and that no provisions have to be made in these financial statements.

## 29. Financial risks management

### *Credit risk*

Such financial assets as cash in bank and debtors are exposed to credit risk. The Company’s cash is deposited in leading financial institutions of Latvia. Credit risk control is carried out by reviewing potential counterparties before start of any cooperation. Debtors are closely monitored and debtors with increased credit risk are shown in annual report at net value less provisions for bad debts.

### *Interest rate risk*

The Company has recognized finance lease liabilities with variable EURIBOR interest rate. Therefore it is exposed to any changes in interest rates. The Company does not use any derivatives for hedging.

### *Liquidity risk*

The Company controls its liquidity risk by maintaining sufficient amount of cash or ensuring availability of funding using bank’s credit line.

## 30. Events after balance sheet date

On 9<sup>th</sup> of March 2015 the final share buyout offer initiated by main shareholder was started. The period of share buyout offer is 30 days starting from 9<sup>th</sup> of March 2015.

As of the last day of the reporting year until the date of signing these financial statements, there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

\*\*\*\*\*