

**A/S Latvijas tilti**  
**ANNUAL REPORT**

**For 12 months period until 31 December 2012**

A/S "Latvijas tilti"  
ANNUAL REPORT  
for period until 31 December 2012

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## **INFORMATION ON THE COMPANY**

Name of the company	LATVIJAS TILTI
Legal status of the company	Joint stock company
Number, place and date of registration	Register of the companies Nr. 50003030441 Riga, 7 October 1991  Commercial register Riga, 29 June 2004
Address	Granita street, 15 Stopinu district, Rimbula, LV- 1057 Latvia
Type of operations	Construction
Parent company	SIA Zinātniskās ražošanas apvienība "LNK" (Latvijas Novitātes Komplekss) (further SIA ZRA "LNK") - 89,69%
Branches abroad	1) Branch in Turkmenistan founded in 2010 for realization of construction works of road crossing on motorway, that connects Turkmenbashi city airport and National tourism area "Avaza". 2) Branch in Lithuania founded in 2011 for realization of Klaipeda sea port reconstruction project.
Names and positions of the Board members	Valērijs Gorjuns - chairman of the board Regīna Vitrjaka - member of the board Romāns Maizenbergs - member of the board (from 22.06.2012) Igors Goļcovs - member of the board (from 22.06.2012) Andrejs Bočkarjovs - member of the board (from 22.06.2012) Sergejs Brovkins - member of the board (till 22.06.2012)
Names and positions of the Council members	Aleksandrs Milovs - chairman of the council Vadims Milovs - vice chairman of the council Boris Rozentāls - member of the council (till 14.06.2012) Andrejs Subočs - member of the council Davids Lipkins - member of the council (from 22.06.2012)  Jevgenijs Locovs - member of the council
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**

Principal activity of AS Latvijas tilti is construction of bridges and other objects, production of concrete and metal constructions.

### **Performance of the Company during the financial year**

In 2012 the Company's net sales amounted to 25 150 634 EUR. During the reporting period the construction works of cargo-passenger terminal Nr 80, 81 in Klaipeda's sea port and works in project "Short-term fertilizer storage and handling complex in Riga freeport, Kundzinsala" were continued. AS "Latvijas tilti" as responsible partner together with Lithuanian company "Kauno Keliai" has started construction works in project "Reconstruction of Geležinio Vilko street from A. Goštauto street till M.K. Čiurlionio street in Vilnius, Lithuania". The Company has also started construction works in project "Bulk cargo handling terminal in Riga's freeport territory, Kindziņsala".

During reporting period the Company has actively performed in all directions:

- maintenance, construction and repair works of bridges
- concrete product manufacturing
- hydro construction - construction of wharfs and piers, including construction of platforms on piles in open aquatorium.

### **Financial risk management**

The policy of financial risk management of the Company is described in financial report's Notes 43

### **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.

### **Distribution of profit proposed by the Board**

	<b>2012 EUR</b>
Profit share to be distributed	<b>92 730</b>
Proposed profit distribution:	
Retained earnings	92 730

### **Future prospects**

In 2012 significant attention was paid to analysis of purchase price of materials, lease of construction equipment and machinery, the steps were taken in the optimization of productivity, which will undoubtedly effect the financial results of 2013. In 2012 substantial investments were made in construction equipment, which has reduced the Company's expenses. The investments are planned to be continued in 2013. Much attention will be paid to an active market research, as well as further application of experience in Lithuania and other European Union countries. Parallel to the bridge works the focus will be put on concrete structures workload. Reviewing the workload in connection with signed and planned contracts it can be said now that the Company's turnover in the 2013 will not decrease, but will even increase.

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Artjoms Milovs  
per procura

Riga, 30 April 2013

**STATEMENT OF THE MANAGEMENT RESPONSIBILITY**

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 28 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

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Artjoms Milovs  
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Riga, 30 April 2013

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**INCOME STATEMENT**

	<b>Notes</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
Net sales	(1)	25 150 634	25 745 763
Cost of sales	(2)	(24 116 512)	(24 266 126)
<b>Gross profit or losses</b>		<b><u>1 034 122</u></b>	<b><u>1 479 637</u></b>
Distribution expenses	(3)	(25 280)	(23 126)
Administrative expenses	(4)	(614 314)	(778 807)
Other operating income	(5)	389 491	529 836
Other operating expenses	(6)	(353 701)	(206 137)
Interest and similar income	(7)	2 048	386
Interest and similar expenses	(8)	(290 979)	(293 819)
<b>Profit or losses before taxes</b>		<b><u>141 387</u></b>	<b><u>707 970</u></b>
Corporate income tax	(9)	(27 296)	(440 246)
Other taxes	(10)	(21 361)	(21 203)
<b>Net profit or losses</b>		<b><u><u>92 730</u></u></b>	<b><u><u>246 521</u></u></b>
Earnings per share (EUR)	(11)	0,14	0,37

Notes on pages 11 to 28 are an integral part of these financial statements.

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Artjoms Milovs  
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Riga, 30 April 2013

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**BALANCE SHEET**

		31.12.2012. EUR	31.12.2011. EUR
	<b>Notes</b>		
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
<b>Intangible assets:</b>			
Concessions, patents, licenses, trademarks and similar rights	(12)	8 507	48
<b>Total intangible assets:</b>		<b>8 507</b>	<b>48</b>
<b>Fixed assets:</b>			
Land and buildings	(12)	1 332 135	1 152 015
Equipment and machinery	(12)	3 999 697	4 222 517
Other fixed assets	(12)	789 182	944 948
Fixed assets under construction	(12)	-	245
Advances for fixed assets	(12)	3 910	-
<b>Total fixed assets:</b>		<b>6 124 924</b>	<b>6 319 725</b>
<b>Investment property:</b>			
Buildings	(13)	731 863	-
Investment properties under construction	(13)	220 983	-
Advances for investment properties		44 603	-
<b>Total investment property:</b>		<b>997 449</b>	<b>-</b>
<b>Non-current financial investments:</b>			
Investments in associates	(14)	18 953	18 953
Other loans and non-current receivables	(15)	-	3 865
Own shares	(14)	2 864	2 864
<b>Total non-current financial investments:</b>		<b>21 817</b>	<b>25 682</b>
<b>Total non-current investments:</b>		<b>7 152 697</b>	<b>6 345 455</b>
<b>Current assets</b>			
<b>Inventories:</b>			
Raw materials and consumables	(16)	2 286 740	1 777 531
Finished goods and work in progress	(17)	832 280	643 885
Advances for inventories		122 162	33 674
<b>Total inventories:</b>		<b>3 241 182</b>	<b>2 455 090</b>
<b>Account receivable:</b>			
Trade receivables	(18)	6 090 009	5 899 209
Receivables from group companies	(19)	2 017 125	142 499
Receivables from associates	(20)	10 672	64 268
Other receivables	(21)	883 215	1 168 629
Deferred expenses	(22)	86 614	124 099
Accrued income	(23)	1 804 894	522 416
<b>Total receivables:</b>		<b>10 892 529</b>	<b>7 921 120</b>
<b>Current financial investments:</b>			
Other securities and participation interest	(14)	6	6
<b>Total current financial investments:</b>		<b>6</b>	<b>6</b>
<b>Cash and bank:</b>	(24)	<b>909 059</b>	<b>1 038 321</b>
<b>Total current assets:</b>		<b>15 042 776</b>	<b>11 414 537</b>
<b><u>Total assets</u></b>		<b><u>22 195 473</u></b>	<b><u>17 759 992</u></b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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**BALANCE SHEET**

		31.12.2012. EUR	31.12.2011. EUR
	Notes		
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	(25)	954 747	954 747
Reserves:			
other reserves	(26)	42 661	42 661
Retained earnings			
previous year's retained earnings		4 605 049	4 358 528
current years profit or losses		92 729	246 521
<b>Total equity:</b>		<b>5 695 186</b>	<b>5 602 457</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Other borrowings	(28)	2 108 830	2 160 397
Deferred income tax liabilities	(9)	187 426	203 095
<b>Total non-current liabilities:</b>		<b>2 296 256</b>	<b>2 363 492</b>
<b>Current liabilities:</b>			
Loans from banks	(27)	1 962 263	-
Other borrowings	(28)	795 013	688 428
Advances from customers	(29)	17 181	2 000 208
Trade payables	(30)	7 665 127	4 319 617
Payables to group companies	(31)	2 477 805	7 359
Taxes and social insurance payments	(32)	155 871	341 593
Other liabilities	(33)	210 979	220 552
Accrued liabilities	(34)	919 791	2 216 286
<b>Total current liabilities:</b>		<b>14 204 030</b>	<b>9 794 043</b>
<b>Total liabilities:</b>		<b>16 500 286</b>	<b>12 157 535</b>
<b><u>Total equity and liabilities</u></b>		<b><u>22 195 473</u></b>	<b><u>17 759 992</u></b>

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Artjoms Milovs  
per procura

Riga, 30 April 2013



**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>31.12.2010.</b>	<b>954 747</b>	<b>42 661</b>	<b>4 358 528</b>	<b>5 355 936</b>
Profit for the year	-	-	246 521	246 521
<b>31.12.2011.</b>	<b>954 747</b>	<b>42 661</b>	<b>4 605 049</b>	<b>5 602 457</b>
Profit for the year	-	-	92 729	92 729
<b>31.12.2012.</b>	<b>954 747</b>	<b>42 661</b>	<b>4 697 779</b>	<b>5 695 186</b>

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Riga, 30 April 2013

## **CASH FLOW STATEMENT**

	<b>2012</b>	<b>2011</b>
	<b>EUR</b>	<b>EUR</b>
<b>Notes</b>		
<b>Cash flow from operating activities</b>		
Profit or losses before taxes	<b>141 387</b>	<b>707 970</b>
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets and investment properties	1 076 926	866 055
losses from sales of fixed assets	24 890	-
write-off of fixed assets	-	12 331
changes in provisions	94 934	-
interest expenses	149 921	145 026
interest income	(2 048)	-
other taxes	(21 362)	(21 202)
<b>Cash flow prior to changes in current assets and liabilities</b>	<b>1 464 649</b>	<b>1 710 180</b>
Inventory (increase)/decrease	(590 318)	(629 474)
Account receivable (increase)/decrease	(3 109 284)	(103 767)
Account payable increase/(decrease)	2 696 666	1 997 417
<b>Gross cash flow generated from operating activities</b>	<b>461 713</b>	<b>2 974 356</b>
Corporate income tax paid in Latvia and abroad	(214 859)	(934 784)
<b>Net cash flow generated from operating activities</b>	<b>246 854</b>	<b>2 039 571</b>
 <b>Cash flow from investing activities</b>		
Acquisition of fixed and intangible assets and investment properties	(1 406 011)	(552 779)
Proceeds from sales of fixed assets	148 942	-
Loans issued	(1 112 158)	-
Loans repayment received	1 112 158	-
Loans interest received	820	-
<b>Net cash flow generated from investing activities</b>	<b>(1 256 249)</b>	<b>(552 779)</b>
 <b>Cash flow from financing activities</b>		
Loans received	2 323 271	-
Loans repaid	(2 323 271)	(100 000)
Interest paid	(172 667)	(145 026)
Cash received from overdrafts, net	1 962 263	-
Finance lease payments	(909 464)	(963 408)
<b>Net cash flow generated from financing activities</b>	<b>880 132</b>	<b>(1 208 434)</b>
 <b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(129 263)</b>	<b>278 358</b>
 <b>Cash and cash equivalents at the beginning of the financial year</b>	<b>1 038 321</b>	<b>759 963</b>
 <b>Cash and Cash equivalents at the end of the financial year</b>	<b>(24) 909 059</b>	<b>1 038 321</b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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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.

#### **(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 income or expenses		2011 Adjusted Name of line item	2011 Prior adjustments Name of line item	Amount EUR
Income from write-off of provision for doubtful accounts receivable	Other operating expenses		Other operating income	268 923

#### **(3) Income recognition and net sales**

Net sales contains the total value of goods and services sold during the year excluding discounts and value added tax.

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;

Dividends - at the moment of acquiring legal rights to receive them.

#### **(4) Construction contracts**

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company apply the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract or carrying out surveys of work performed to date. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

The Company presents as an asset the gross amount due from the customers for contract work for all contracts in progress for which costs incurred plus recognized profit (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables".

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses). Advances received from customers are included within "advances from customers".

**(5) Foreign currencies**

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies (including carried out by the Company's branches abroad) are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia EUR / LVL (1 EUR = LVL 0.702804) for the period from 1 January 2011 to 31 December 2012.

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.

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0,531	0,544
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204

**(6) Fixed and intangible assets**

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost 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 fixed assets:

	<b>Depreciation % per annum</b>
Intangible assets	10-40
Buildings	2-10
Technological equipment	8-30
Other machinery and equipment, transport vehicles	5-50

The Company capitalizes its fixed assets valued over EUR 213 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 213 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 fixed 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 fixed assets is calculated, as the difference between the carrying amount of the fixed 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 fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is prescribed as the highest from fair value less cost to sell or value in use.

**(7) Investment property**

Investment property is property (land, building or part of building) held by the owner or by lessee under a finance lease 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. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

Investment property initially recognized at costs. Subsequently investment properties are stated at cost less depreciation and impairment losses. Depreciation of buildings is calculated on a straight-line basis applying the following rates of depreciation, based on their estimated useful life:

Depreciation % per annum	
Buildings	2-10

**(8) Capitalization of borrowing and other costs**

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during the period with no active development of asset.

**(9) Lease-to-buy (financial lease)**

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in income statement by method to produce a constant periodic rate of interest on the remaining balance of the liability.

**(10) 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.

**(11) Inventories**

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling expenses has not included in cost. Cost is stated on the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

**(12) 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 .

**(13) Investments in group and associates, other financial investments**

Non-current financial investments, including investments in subsidiaries and associates, are stated at cost less impairment losses.

**(14) Accrued liabilities for unused annual leave**

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

**(15) 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 appropriate country.

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 fixed 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.

**(16) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

**(17) 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.

**(18) Associates**

An associated company is an entity within a significant influence of the Company. The significant influence is provided by holding no less than 20% and no more than 50% of the share capital or voting rights.

**(19) Related parties**

Related parties are considered Group companies, Board and Council members, their close family members and Companies, in which the previously mentioned persons/Group companies have significant influence or control.

## II. OTHER NOTES

(1) Net sales	2012 EUR	2011 EUR
<b>By operating activities</b>		
Income from construction works	24 615 830	25 155 265
Income from services and sale of construction products	534 804	590 498
	<b>25 150 634</b>	<b>25 745 763</b>
<b>By location</b>		
Income from sales of goods/services in Latvia	13 193 617	15 485 487
Income from sales of goods/services in Lithuania	11 957 017	6 677 010
Income from sales of goods/services in other EU countries	-	162 079
Income from sales of goods/services in Turkmenistan	-	3 421 187
	<b>25 150 634</b>	<b>25 745 763</b>
<b>(2) Cost of sales</b>		
Raw materials and consumables	10 384 973	8 544 365
Outsourced services	7 443 318	10 633 161
Salary expenses	2 936 993	3 290 260
Depreciation of fixed assets	1 060 940	866 055
Social insurance	740 191	750 559
Other costs	1 550 097	181 726
	<b>24 116 512</b>	<b>24 266 126</b>
<b>(3) Distribution expenses</b>		
Transportation costs	6 012	16 851
Advertising expenses	19 268	6 275
	<b>25 280</b>	<b>23 126</b>
<b>(4) Administrative expenses</b>		
Salary expenses	200 953	291 918
Transportation costs	74 559	98 278
Representation costs	63 071	832
Social insurance costs	47 790	48 610
Professional service costs	45 333	84 698
Communication expenses	30 013	42 998
Cash turnover expenses	26 337	36 455
Office expenses	22 470	19 701
Research expenditure	-	80 471
Other administrative expenses	103 788	74 847
	<b>614 314</b>	<b>778 807</b>
<b>(5) Other operating income</b>		
Income from sale of materials and services	114 581	138 925
Income from leasing of investment properties (see Note 13)	85 372	-
Net gain from disposal and write-off of fixed and current assets	31 201	32 437
Net income from other services	14 948	-
Received ESF project funding	4 800	-
Net income from accident insurance claim	-	170 456
Other income	138 589	188 018
	<b>389 491</b>	<b>529 836</b>

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	2012 EUR	2011 EUR
<b>(6) Other operating expenses</b>		
Expenses from sale of materials and services	170 599	104 736
Provisions for bad and doubtful debts, net change	97 216	(207 110)
Donations	30 592	14 940
Cost of leased investment property	12 073	-
Expenses related to the ESF project	8 160	-
Other expenses	35 061	293 571
	<b><u>353 701</u></b>	<b><u>206 137</u></b>
<b>(7) Interest and similar income</b>		
Interest income	2 048	-
Other income	-	386
	<b><u>2 048</u></b>	<b><u>386</u></b>
<b>(8) Interest and similar expenses</b>		
Interest charge, including bank's commissions for issued guarantees (see Note 41)	149 921	145 026
Net loss from sale of foreign currency	64 100	26 887
Penalties paid	53 603	61 505
Net loss from exchange rate fluctuations	23 356	60 401
	<b><u>290 979</u></b>	<b><u>293 819</u></b>
<b>(9) Corporate income tax</b>		
<b>a) Components of corporate income tax</b>		
Changes in deferred income tax	(15 669)	(14 347)
Corporate income tax according to the tax return	42 965	14 316
Corporate income tax according to the tax return abroad	-	443 463
Corporate income tax correction for previous year	-	(3 186)
	<b><u>27 296</u></b>	<b><u>440 246</u></b>
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 EUR	2011 EUR
Profit before taxes	141 387	707 970
Other taxes (real estate taxes)	(21 361)	(21 202)
Profit before corporate income tax	<u>120 026</u>	<u>686 768</u>
Theoretically calculated tax at 15% tax rate	<b>18 004</b>	<b>103 015</b>
Tax effects on:		
Non-deductible expenses for tax purposes	38 706	75 650
Non-taxable income	(14 651)	-
Tax discounts for donations and reinvested profit	(28 960)	(31 342)
Non-deductable income tax paid abroad	-	127 711
Previous year's error in deferred tax and corporate tax calculation	9 886	(3 186)
Changes in classification of temporary differences	(2 913)	40 338
Other permanent differences	(120 835)	-
Changes in unrecognized deferred tax asset	<u>128 058</u>	<u>128 058</u>
<b>Total corporate income tax expenses</b>	<b><u>27 296</u></b>	<b><u>440 246</u></b>



**Corporate income tax (continuation)**

	<b>2012</b>	<b>2011</b>
	<b>EUR</b>	<b>EUR</b>
<b>b) Movement and components of deferred tax</b>	<b>Ls</b>	<b>Ls</b>
Deferred tax liabilities (asset) at the beginning of the financial year	203 095	217 442
Deferred tax charged to the income statement	<u>(15 669)</u>	<u>(14 347)</u>
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<b><u>187 426</u></b>	<b><u>203 095</u></b>

The deferred 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):

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>EUR</b>	<b>EUR</b>
Temporary difference on depreciation of fixed and intangible assets	<u>354 649</u>	<u>383 006</u>
Gross deferred tax liabilities	<b><u>354 649</u></b>	<b><u>383 006</u></b>
Temporary difference on accruals for annual leave	(67 144)	(63 096)
Temporary difference on provision for doubtful receivables	-	(2 913)
Temporary difference on provision for impaired materials	(36 756)	(43 114)
Tax losses carried forward in Lithuania	(63 323)	(198 846)
Unrecognized deferred tax asset for carried forward losses	<u>-</u>	<u>128 058</u>
Gross deferred tax assets	<b><u>(167 223)</u></b>	<b><u>(179 911)</u></b>
<b>Net deferred tax liability (assets)</b>	<b><u>187 426</u></b>	<b><u>203 095</u></b>

	<b>2012</b>	<b>2011</b>
<b>(10) Other taxes</b>	<b>EUR</b>	<b>EUR</b>
Real estate tax for land	3 129	2 760
Real estate tax for buildings	<u>18 232</u>	<u>18 443</u>
	<b><u>21 361</u></b>	<b><u>21 203</u></b>

**(11) Earnings per Share (in Lats)**

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	<b>2012</b>	<b>2011</b>
Profit attributed to shareholders of the Company (EUR)	92 730	246 521
Average annual number of shares	<u>671 000</u>	<u>671 000</u>
<b>Earnings per share (EUR)</b>	<b><u>0,14</u></b>	<b><u>0,37</u></b>

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**(12) Intangible and fixed assets**

	Concessions, patents, licenses, trade marks and similar rights		Land and buildings	Equipment and machinery	Fixed assets		Advances for fixed assets	Total fixed assets
	EUR	EUR	EUR	EUR	Other fixed assets	Fixed assets under construction	EUR	EUR
<b>Cost</b>								
31.12.2011.	12 850	1 801 407	7 232 901	2 046 263		245	-	11 080 816
Additions	9 796	-	605 551	364 345		626 527	3 910	1 600 333
Disposals	(2 420)	-	(414 917)	(88 759)		-	-	(503 676)
Reclassified from fixed assets under construction	-	626 772	-			(626 772)	-	-
Reclassification between other asset items	-	(586 519)	-	(275 381)		-	-	(861 900)
31.12.2012.	20 226	1 841 660	7 423 535	2 046 468		-	3 910	<b>11 315 573</b>
<b>Depreciation</b>								
31.12.2011.	(12 802)	(649 392)	(3 010 384)	(1 101 315)		-	-	(4 761 091)
Calculated	(1 336)	(87 804)	(702 594)	(274 442)		-	-	(1 064 840)
Disposals	2 419	-	289 139	40 448		-	-	329 587
Reclassification between other assets items	-	227 671	-	78 023		-	-	305 694
31.12.2012.	(11 719)	(509 525)	(3 423 839)	(1 257 286)		-	-	<b>(5 190 650)</b>
<b>Net carrying amount 31.12.2011.</b>	<b>48</b>	<b>1 152 015</b>	<b>4 222 517</b>	<b>944 948</b>		<b>245</b>	<b>-</b>	<b>6 319 725</b>
<b>Net carrying amount 31.12.2012.</b>	<b>8 507</b>	<b>1 332 135</b>	<b>3 999 697</b>	<b>789 182</b>		<b>-</b>	<b>3 910</b>	<b>6 124 924</b>

a) Cadastral values

Cadastral value of freehold land as at December 31, 2012 is EUR 208 610 (31.12.2011: EUR 208 610). Cadastral value for the buildings is EUR 964 108 (31.12.2011: EUR 1 215 427).

b) Joint ownership of real estate

In previous year the Company has sold conditional part of it's real estate (land plot and buildings on it), that amounted to about 19% from whole real estate. In the same year parties have signed written agreement stating the Company's exclusive rights to use all buildings and on 76 200 m2 land plot's part from total 177 500 m2 land plot.

In July 2010 the additional agreement was signed on joint usage of real estate, in accordance to which parties agree on rights to use separately and independently each land plot's existing communication facilities, road and entrance area and other rights.

c) Fixed assets under finance lease

Net carrying amount of fixed assets acquired under finance lease as at December 31, 2012 is EUR 3 561 855 (31.12.2011 - EUR 3 301 930). The ownership of those assets will be transferred to the Company after the settlement of all lease liabilities (see Note 28).

### Intangible and fixed assets (continuation)

#### d) Reclassification of materials to fixed assets

In July 2012, the Company has transferred metal constructions workshop activity to group company SIA TTS LNK (previously SIA kompānija TTS-Avio), that is, sold with metal constructions workshop related inventories, fixed assets and started to lease out the premises of production workshop. These production premises, previously recognized in fixed assets, were reclassified at residual value EUR 358 848 to investment properties.

In the middle of the reporting year fixed assets with residual value EUR 197 358 were reclassified to materials due to the change of the usage purpose.

#### e) Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 27 and 41 to the financial statements.

### (13) Investment property

	Buildings	Investment property under construction	Advances for investment properties	Total
	EUR	EUR	EUR	EUR
<b>Cost</b>				
31.12.2011.	-	-	-	-
Additions	-	604 747	44 603	649 351
Reclassified from investment property under construction	383 764	(383 764)	-	-
Reclassified from fixed assets (see Note 12 d))	586 519	-	-	586 519
31.12.2012.	970 283	220 983	44 603	<b>1 235 870</b>
<b>Depreciation</b>				
31.12.2011.	-	-	-	-
Calculated	(10 750)	-	-	(10 750)
Reclassified from fixed assets	(227 671)	-	-	(227 671)
31.12.2012.	(238 421)	-	-	<b>(238 421)</b>
<b>Net carrying amount 31.12.2011.</b>	-	-	-	-
<b>Net carrying amount 31.12.2012.</b>	<b>731 863</b>	<b>220 983</b>	<b>44 603</b>	<b>997 449</b>

Information on pledged investment properties is disclosed in the Note 27 and 41 to the financial statements.

The Company has chosen the cost model for the evaluation of investment properties. The Company has not performed the market value evaluation of the investment properties by independent valuer, but by the management estimates it could not be lower than the cost.

In 2012 the borrowing costs capitalized amounted to EUR 5 598 (2011: EUR 0).

As mentioned in the Note 12 d) the Company leases out to the group company SIA TTS LNK metal constructions workshop premises. The agreement of production premises lease was signed for 5 years, till 30 June 2017. During the reporting year the rental income from investment properties was EUR 85 372 and direct operating expenses - EUR 12 073.

**(14) Equity investments**

**a) movement of investments**

	Non-current		Own shares	Current	Total
	Investments in subsidiaries	Investments in associates		Other securities and investment	
	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>					
31.12.2011.	-	18 953	2 864	6	21 823
31.12.2012.	-	18 953	2 864	6	21 823
<b>Net carrying amount 31.12.2011.</b>	<b>-</b>	<b>18 953</b>	<b>2 864</b>	<b>6</b>	<b>21 823</b>
<b>Net carrying amount 31.12.2012.</b>	<b>-</b>	<b>18 953</b>	<b>2 864</b>	<b>6</b>	<b>21 823</b>

**b) investments in subsidiaries**

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	2011	2012
		%	%	EUR	EUR	EUR	EUR
General partnership Latvijas tilti & SZMA Rīga	Stopinu district, Rumbula, Granita street 15	70	70	-	-	-	-

Principal activity of general partnership Latvijas tilti & SZMA Rīga is construction services.

In June 2011 new general partnership Latvijas tilti & SZMA Rīga was founded without share capital with 70% AS Latvijas tilti participation. General partnership was founded for the realization of project "Riga Ukrainian secondary school buildings in Riga, Visvalza Street 4, reconstruction with design", which 70% execution was ordered to the Company.

The Company did not prepare consolidated financial statements for the 2011 financial year with the general partnership Latvijas tilti & SZMA Rīga, as in the Company's management assessment general partnership's performance and financial position is immaterial. If the consolidation was made, the group's (consisting of the Company and general partnership Latvijas tilti & SZMA), net sales would increase by approximately 541 thousand EUR in 2011. During the reporting year the general partnership has not performed any activities.

**c) investments in associates**

Name	Address	Type of operations	Participating interest	
			31.12.2012.	31.12.2011.
			%	%
AS Transport Systems	E.Melngaiļa street 1a, Riga	Designing, construction services	12,5	12,5
General partnership TLTB	E.Melngaiļa street 1a, Riga	Construction services	25	25
Mostootrjad 17	S.Peterburg Institutskiy pr.,21, Russia	Construction services	50	50
General partnership LT Celtniecība	Stopinu district, Rumbula, Granita street 15	Construction services	50	50
General partnership LNK Industries partnership (previously PS BCC&LT)	Bieķensalas street 6, Riga	Construction of residential and non-residential buildings	33	50
General partnership LNK Industries Group	Sporta street 7, k-1, Riga	Construction of residential and non-residential buildings	50	-
General partnership LNK Industries EKO	Sporta street 7, k-1, Riga	Construction services	35	-

The Company is also a member in other general partnerships, but during the year they have not performed any activities.

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<b>(15) Other loans and non-current receivables</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
Advance payments of operating lease agreements, non-current part (see Notes 21)	-	3 865
	<u>-</u>	<u>3 865</u>

In 2010 the Company has concluded two new lease agreements with SIA "DnB Līzings" for 2 cars with a lease period of 36 months. Under these agreement the Company had to carry out first payments in amount of 15-25% of the purchase price. The Company depreciates these payments over the lease period and the amount of EUR 3 865 is the non-current part of first payments payable in 2013, which on 31 December 2012 is disclosed under other current receivables.

<b>(16) Raw materials and consumables</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
Raw materials and consumables	2 432 732	1 264 506
Accruals for impaired materials	(245 034)	(287 433)
Spare parts and other materials	99 042	49 130
Goods in transit	-	751 328
	<u>2 286 740</u>	<u>1 777 531</u>

<b>(17) Finished goods and work in progress</b>		
Metal constructions	679 243	434 393
Concrete products	153 037	209 492
	<u>832 280</u>	<u>643 885</u>

Considering that Company's existing inventory may be used in construction projects or sold, it is classified in a joint item "Finished goods and work in progress."

<b>(18) Trade receivables</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
Book value of trade receivables in Lithuania	3 538 928	927 476
Retentions	2 090 385	2 621 702
Book value of trade receivables in Latvia	645 160	1 227 699
Book value of trade receivables in Turkmenistan	206 464	1 415 491
(Provisions for bad and doubtful debts)	(390 928)	(293 159)
	<u>6 090 009</u>	<u>5 899 209</u>

Provisions for bad and doubtful debts have been made 20-100 % of their book value.

Part of the debts of the Turkmenistan project in amount of EUR 493 829 and part of retentions in amount of EUR 355 071 derived from rendered construction services and supplied materials in 2011. Part of the debts at the end of the 2012 became due. As per the Company's management assessment, these debts are fully recoverable, but by the precautionary principle provisions in the amount of 20% were made.

<b>(19) Receivables from group companies</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
AS LNK Industries debt for construction services	1 053 035	-
AS LNK Industries retentions	832 223	-
SIA TTS LNK debt for sales of metal constructions	-	142 499
Other receivables from related parties	131 867	-
	<u>2 017 125</u>	<u>142 499</u>

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	31.12.2012. EUR	31.12.2011. EUR
<b>(20) Receivables from associates</b>		
Debts of general partnerships LT Celtniecība and TLTB	10 672	32 205
Retentions of general partnership LT Celtniecība	10 341	32 063
(Provisions for bad and doubtful debts)	<u>(10 341)</u>	<u>-</u>
	<b><u>10 672</u></b>	<b><u>64 268</u></b>
<b>(21) Other receivables</b>		
Advance payments for works and services	436 901	479 171
Provisions on advance payments fro works and services	(61 149)	(55 825)
Corporate income tax overpaid (see Note 32 for details)	283 127	646 907
VAT overpaid (see Note 32 for details)	110 735	4 382
Payments to personnel	105 937	100 046
Advance payments of operating lease agreements, current part (see also Note 15)	3 865	5 676
Current loans	632	2 908
Other receivables	6 938	7 636
Provision for other receivables	<u>(3 771)</u>	<u>(22 272)</u>
	<b><u>883 215</u></b>	<b><u>1 168 629</u></b>
<b>(22) Deferred expenses</b>		
Prepayments of insurance payments	69 140	97 258
Other expenses	<u>17 474</u>	<u>26 841</u>
	<b><u>86 614</u></b>	<b><u>124 099</u></b>
<b>(23) Accrued income</b>		
Accrued income related to construction contracts (see Note a))	1 756 675	522 416
Other accrued income	<u>48 219</u>	<u>-</u>
	<b><u>1 804 894</u></b>	<b><u>522 416</u></b>
<b>a) Construction contracts</b>		
Costs incurred and profit recognised as income	<u>1 756 675</u>	<u>466 167</u>
Gross amount of accrued income	<b><u>1 756 675</u></b>	<b><u>466 167</u></b>
where:		
Work-in-progress under assets (as "Accrued income")	1 756 675	522 416
Work-in-progress under liabilities (as "Accrued liabilities")	<u>-</u>	<u>(56 249)</u>
	<b><u>1 756 675</u></b>	<b><u>466 167</u></b>
Corresponding amounts:		
Contract revenue recognised in income statement (as "Net sales")	24 615 830	25 155 265
Advances received from customers (as "Advances from customers" and "Payables to group companies")	1 685 889	2 000 208
Retentions on construction contracts (as "Trade receivables" and "Receivables from associates")	2 100 726	2 653 765
<b>(24) Cash and bank</b>	31.12.2012. EUR	31.12.2011. EUR
Cash at bank on current accounts	907 876	1 015 686
Cash on hand	1 182	15 635
Cash in transit	<u>-</u>	<u>7 000</u>
	<b><u>909 059</u></b>	<b><u>1 038 321</u></b>

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**(25) Share capital**

As at December 31, 2012 the registered and fully paid share capital is Ls 671 000 (EUR 954 747), composed of 671 000 ordinary shares with a nominal value of 1 Ls (EUR 1.42) each. The share capital with voting rights is Ls 668 987, without voting rights personal shares - EUR 2 864.

**(26) Reserves**

According to the Latvian statutory requirements the Company in the previous periods created the legal reserves. This legal requirements are no more effective in the reporting year. These reserves expected to be reclassified to retained earnings.

<b>(27) Loans from banks</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
AS Danske Bank overdraft balance *	1 962 242	-
AS Citadele banka bank account balance	21	-
	<b>1 962 263</b>	<b>-</b>

\* In 2012 the Company has signed overdraft agreement with AS Danske Bank with overdraft limit of 1.5 millions LVL (2.1 millions EUR) and 2.8 millions EUR with repayment terms until 31 July 2013 and 1 October 2013 and interest rates 1 week's Rigibor + 1,3% per annum and 1 week's Euribor + 1,4% per annum. At 31 December 2012 the Company has used overdraft facilities in amount of 1 163 751 Ls (1 655 868 EUR) and 306 365 EUR.

As security in case of claims that may arise from the signed overdraft agreements the Company has pledged all its assets as a unity at the moment of pledge as well as future components of this unity to AS Danske Banks, including real estates, mechanical transport equipment, receivables claim rights etc. The maximum amount of claims secured by mortgage commercial pledge is EUR 3 699 822.

<b>(28) Other borrowings</b>	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
<b>Non-current</b>		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	2 108 830	2 129 577
Liabilities according to the finance lease agreements, payable over 5 years	-	30 820
	<b>2 108 830</b>	<b>2 160 397</b>
<b>Current</b>		
Liabilities according to the finance lease agreements, payable within 1 year	795 013	688 428
	<b>795 013</b>	<b>688 428</b>

As disclosed in Note 12 the Company has acquired assets under finance lease from SIA "DnB Līzings": trucks and auto vehicles, technological equipment and other fixed assets. In financial year nine new financial lease agreements were concluded. Interest payments of average interest rate 3 months Euribor + 1,2%-3% per annum are due on monthly basis. Financial lease repayment dates are starting from January 2013 until October 2017.

In case of breaking an agreement the Company may have a duty to pay extra payments in accordance with the terms of the agreement.

In accordance with the agreements the minimum finance lease payments are:	<b>31.12.2012. EUR</b>	<b>31.12.2011. EUR</b>
Payable within 1 year	818 863	776 326
Payable from 2 to 5 years	2 277 349	2 267 223
Payable over 5 years	-	30 954
Finance lease gross liabilities	<b>3 096 212</b>	<b>3 074 503</b>
Future finance costs	(192 369)	(225 678)
Present value of finance lease liabilities	<b>2 903 843</b>	<b>2 848 825</b>

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	31.12.2012. EUR	31.12.2011. EUR
<b>(29) Advances from customers</b>		
Advances from customers in Latvia	17 181	189 742
Advances from customers in Lithuania	-	1 810 466
	<b><u>17 181</u></b>	<b><u>2 000 208</u></b>

<b>(30) Trade payables</b>		
Trade payables - Latvia, EU	7 144 776	3 310 556
Retentions	520 246	422 256
Trade payables - Turkmenistan	105	586 805
	<b><u>7 665 127</u></b>	<b><u>4 319 617</u></b>

<b>(31) Payables to group companies</b>		
Advances from AS LNK Industries for construction services	1 668 708	-
Payable to SIA Enfort for received works and services	421 976	-
Payable to SIA TTS LNK for received works and services	383 648	5 159
Payable to SIA ZRA LNK for received services	3 473	434
Payable to SIA Irbe LNK for received services	-	982
Payable to SIA Aviatest LNK for received works and services	-	784
	<b><u>2 477 805</u></b>	<b><u>7 359</u></b>

<b>(32) Taxes and social insurance payments</b>						
	31.12.2011.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to/(from) other taxes	31.12.2012.
	EUR	EUR	EUR	EUR	EUR	EUR
VAT	147 765	(932 677)	586	225 026	448 565	(110 735)
Personal income tax	16 988	565 697	1 034	(248 335)	(310 750)	24 634
Social insurance payments	73 884	997 523	-	(402 876)	(653 741)	14 790
Corporate income tax	(634 673)	56 610	820	(214 859)	516 615	(275 487)
Real estate tax (land)	-	3 129	-	(3 129)	-	-
Real estate tax (buildings)	142	18 231	-	(18 231)	-	142
Natural resource tax	221	1 036	1	(445)	(339)	474
State risk duty	1	1 032	4	(514)	(350)	173
VAT abroad	(4 382)	1 424 390	165	(1 335 389)	-	84 784
Corporate income tax abroad	(12 234)	4 594	-	-	-	(7 640)
Other taxes abroad	102 592	353 551	(147)	(425 121)	-	30 875
<b>Total</b>	<b><u>(309 697)</u></b>	<b><u>2 493 116</u></b>	<b><u>2 463</u></b>	<b><u>(2 423 873)</u></b>	<b><u>-</u></b>	<b><u>(237 990)</u></b>
Hereof						
<b>(Overpaid) - see Note 21 for details</b>	<b><u>(651 289)</u></b>					<b><u>(393 862)</u></b>
<b>Payables</b>	<b><u>341 593</u></b>					<b><u>155 871</u></b>

The calculated corporate income tax amount consists of the actual calculated tax during the year in amount of EUR 42 965 and the calculated withholding tax from payments to non-residents in amount of EUR 13 645.

In reporting year the Company has also used the corporate income tax allowance for donations made and reinvested profit (see Note 9 for details).

<b>(33) Other liabilities</b>	31.12.2012. EUR	31.12.2011. EUR
Salaries	185 024	187 085
Other liabilities	25 955	33 467
	<b><u>210 979</u></b>	<b><u>220 552</u></b>



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	31.12.2012. EUR	31.12.2011. EUR
<b>(34) Accrued liabilities</b>		
Accrued unused annual leave expenses	491 537	431 961
Accrued liabilities for guarantee expenses (see Note 41)	37 110	29 300
Accrued liabilities for goods in transit	-	751 328
Accrued expenses for construction contracts (see Note 23)	-	56 249
Other accrued liabilities	391 145	947 448
	<b>919 791</b>	<b>2 216 286</b>
	<b>2012</b>	<b>2011</b>
<b>(35) Fees paid to auditors</b>	<b>EUR</b>	<b>EUR</b>
For the audit of financial statements	11 383	21 485
For other assurance engagements	427	285
For tax consulting	780	3 863
	<b>12 590</b>	<b>25 633</b>
	<b>2012</b>	<b>2011</b>
<b>(36) Average number of employees</b>		
Average number of employees during the financial year in Latvia	243	245
Average number of employees during the financial year in Lithuania	67	17
Average number of employees during the financial year in Turkmenistan	4	60
	<b>314</b>	<b>322</b>
	<b>2012</b>	<b>2011</b>
<b>(37) Remuneration to personnel</b>	<b>EUR</b>	<b>EUR</b>
Employee pay in Latvia and abroad	3 137 946	3 582 178
Social insurance payments in Latvia and abroad	787 981	799 169
	<b>3 925 927</b>	<b>4 381 347</b>
	<b>2012</b>	<b>2011</b>
<b>(38) Remuneration to the management</b>		
Board members		
· salary expenses	99 052	91 718
· other social insurance expenses	15 920	21 492
Council members		
· salary expenses	66 508	102 772
· other social insurance expenses	23 543	23 082
	<b>205 023</b>	<b>239 064</b>
<b>(39) Transactions with related parties</b>		

The parent company of the Company, who owns 89,69% of shares of the Company, is SIA ZRA "LNK", which is registered in Latvia.

In 2012 the Company had economic transactions with the following group companies that are directly or indirectly subsidiaries of SIA ZRA "LNK" - SIA "TTS LNK" (previously SIA Kompānija "TTS-Avio"), SIA "Irbe LNK", SIA "Aviatest LNK", AS "LNK Industries", as well as with other Company's related parties.

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**a) claims and liabilities**

		31.12.2012.		31.12.2011.	
	Notes	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
<b>Group companies</b>					
SIA TTS LNK	(19)	32 355	383 647	142 499	5 159
SIA ZRA LNK	(31)	-	3 473	-	434
SIA Irbe LNK	(31)	-	-	-	982
SIA Aviatest LNK	(19)	99 513	-	-	784
SIA Enfort	(31)	-	421 977	-	-
AS LNK Industries	(19)	1 885 258	1 668 707	-	-
		<b>2 017 126</b>	<b>2 477 804</b>	<b>142 499</b>	<b>7 359</b>

**b) transactions**

	Sales to related parties		Purchases from related parties	
	2012 EUR	2011 EUR	2012 EUR	2011 EUR
<b>Group companies</b>				
SIA TTS LNK - purchase/sale of goods	230 471	143 413	1 405 788	534 897
SIA TTS LNK - other services	136 535	7 443	62 254	6 073
SIA TTS LNK - construction services	25 159	-	-	-
SIA Irbe LNK - other services	-	-	5 009	84 267
SIA ZRA LNK - purchase of fixed assets	-	-	250	-
SIA ZRA LNK - other services	-	-	2 490	652
SIA ZRA LNK - loan interest	756	-	1 914	171
SIA Aviates LNK - purchase/sale of goods	2 846	-	4 784	-
SIA Aviates LNK - other services	420 575	-	410	643
SIA Aviates LNK - loan interest	-	-	20	-
SIA Aviates LNK - construction services	171 267	-	-	-
SIA Celtniecības kvalitātes aģentūra (CKA) - construction and other services	-	-	-	987 612
AS LNK Industries - construction services	8 818 428	-	-	1 187 708
AS LNK Industries - other services	45 331	-	-	-
AS LNK Industries - loan interest	11	-	-	-
SIA Mūkusalas centrs - loan interest	-	-	20	-
SIA Enfort - construction services	-	-	532 556	-
General partnership "Latvijas tilti & SZMA Rīga" - construction services	-	1 193 675	-	-
SIA Baltijas Loģistikas parks - other services	2 759	-	3 502	-
	<b>9 854 138</b>	<b>1 344 531</b>	<b>2 018 997</b>	<b>2 802 023</b>
<b>Other related parties</b>				
General partnership LT Celtniecība - construction services	-	369 947	-	-
	<b>-</b>	<b>369 947</b>	<b>-</b>	<b>-</b>
	<b>9 854 138</b>	<b>1 714 478</b>	<b>2 018 997</b>	<b>2 802 023</b>

**(40) Contingent liabilities**

The Company is a defendant in a law suit, which has arisen from subcontractor's claim against the Company for the breach of sub-contract agreement and the total claim is EUR 89 044. In April 2013 shortened court judgement was pronounced rejecting the claim in full. The subcontractor has the right to appeal, but by the management assessments, if appealed, the outcome of the case will be in favour of the Company. The financial statements do not include any provisions for liabilities, which could arise from the law suit.

The Company's balance sheet contains the debts of this subcontractor to the Company in amount of EUR 20 784, for which 80% provision were made.

**(41) Guarantee liabilities, guarantee issuance agreements, pledge of assets**

In accordance with signed agreements with customers the Company provides free remove of work defects and in certain cases provides bank guarantees and insurance. Accruals for potential liabilities and expenses in the period of guarantee at the end of the reporting period are in amount of EUR 37 110 (31.12.2011: EUR 29 300) (see Notes 34).

In 2011 the Company has signed guarantee issuance agreement with AS Danske Bank with the guarantee limit of 8 millions EUR with term until 31.07.2016 and interest rate from 0,75% till 1,05% depending on the guarantee period.

As security in case of claims that may arise from the signed guarantee and overdraft agreements the Company has pledged its real estate: land plot and buildings, all its assets as a unity at the moment of pledge as well as future components of this unity, as well as several Company's motor vehicles to AS Danske Bank. The maximum amount of claims secured by mortgage commercial pledge in relation to guarantee issuance agreement is EUR 10 400 001.

**(42) Operating lease commitments**

The Company uses several auto vehicles, received under operating lease agreements from SIA DnB Līzings. At the end of reporting period the Company has in force three operating lease agreements with repayment dates starting from April 2013 and until September 2016. In 2012 income statement recognized the rental expenses of EUR 17 338 (2011: EUR 27 793).

In case of breaking an agreement the Company may have a duty to pay extra payments for lease object ransom or other payments in accordance with the terms of the agreement.

In accordance with the rental agreements, the Company has following non-cancellable lease liabilities:	<b>31.12.2012.</b> <b>EUR</b>	<b>31.12.2011.</b> <b>EUR</b>
Payable within 1 year	9 271	12 349
Payable from 2 to 5 years	7 252	14 455
	<u><b>16 523</b></u>	<u><b>26 804</b></u>

**(43) Financial risk management**

Financial risks, related to the financial instruments of the Company, mainly, are foreign currency risks, interest rate risk, liquidity risk and credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

**Foreign currency risks**

The company is subject to foreign currency exchange rate fluctuations, mainly due to its loans and other liabilities performed with euro, USD and LTL currency, and trade receivables is euro, USD and LTL 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.

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The Company's foreign exchange open position is:

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
Financial assets, EUR	278 206	2 164 842
Financial liabilities, EUR	(5 502 259)	(4 300 935)
<b>Open position EUR, net</b>	<b><u>(5 224 053)</u></b>	<b><u>(2 136 093)</u></b>
Financial assets, USD	1 041 566	2 142 328
Financial liabilities, USD	-	-
Open position USD, net	<u>1 041 566</u>	<u>2 142 328</u>
<b>Open position USD, calculated in EUR, net</b>	<b><u>786 950</u></b>	<b><u>1 658 252</u></b>
Financial assets, LTL	21 318 580	6 488 247
Financial liabilities, LTL	(10 760 749)	(8 644 979)
Open position LTL, net	<u>10 557 831</u>	<u>(2 156 732)</u>
<b>Open position LTL, calculated in EUR, net</b>	<b><u>3 064 578</u></b>	<b><u>(626 026)</u></b>

*Interest rate risks*

The Company is subject to the interest rate risk, mainly with respect to its variable interest rate financial lease and overdraft agreements.

*Credit risk*

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts.

*Liquidity risk*

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents.

**(44) 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.

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Artjoms Milovs  
per procura

Riga, 30 April 2013

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

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# BAKER TILLY BALTICS

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## **INDEPENDENT AUDITOR'S REPORT**

*to the Shareholders of Latvijas Tilti AS*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Latvijas Tilti AS set out on pages 6 to 28 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*

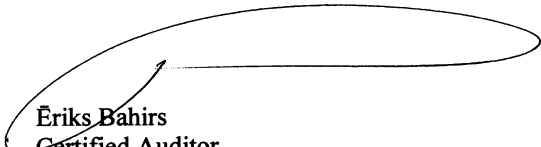
In our opinion, the above mentioned financial statements give a true and fair view of the financial position of Latvijas Tilti as at 31 December 2012, and of its financial performance and its cash flows for the financial year in accordance with the Law of the Republic of Latvia On Annual Reports.



## 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



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

Riga, 30 April 2013

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