

A/S Latvijas tilti
ANNUAL REPORT

for 12 months period until 31 December 2015

A/S "LATVIJAS TILTI"
ANNUAL REPORT
for the year ended 31 December 2015

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INFORMATION ON THE COMPANY

Name of the company	LATVIJAS TILTI
Legal status of the company	Public joint stock company
Number, place and date of registration	Register of the companies Nr. 50003030441 Riga, 7 October 1991
Address	Jana Dalina street 15 Riga, LV-1013 Latvia
Type of operations	NACE2 42.11 - construction of roads and motorways, 42.13 - construction of bridges and tunnels, 42.91 - construction of hydrotechnical objects
Parent company	SIA LNK (Latvijas Novitātes Komplekss) - 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". In 2015 was closed. 2) Branch in Lithuania founded in 2011 for realization of Klaipeda sea port reconstruction project and other projects. 3) Branch in Estonia founded in 2014 for realization of Nehatu bridge design and construction project on the highway Tallinn-Narva, Estonia
Names and positions of the Board members	Genadijs Kamkalovs - chairman of the board Valērijs Gorjuns - member of the board Regīna Vitrjaka - member of the board Romāns Maizenbergs - member of the board Igors Golcovs - member of the board Andrejs Bočkarjovs - member of the board
Names and positions of the Council members	Artjoms Milovs - chairman of the council Vadims Milovs - vice chairman of the council Andrejs Subočs - member of the council Davids Lipkins - member of the council Jevgenijs Locovs - member of the council
Financial year	1 January, 2015 - 31 December, 2015
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 constructions.

Performance of the Company during the financial year

In 2015 the Company's net sales amounted to EUR 15 469 910 and profit before taxes EUR 168 368. Despite the reduction in net sales, the Company was able to optimize costs during the financial year. Following projects were commenced: "Ventspils Free Port piers Nr. 19, 20, 21, 22 and 23 reconstruction". Works on following projects continue " New construction of two level junction over the railway and Nemuno street, Nemuno street 24, Klaipeda" in Lithuania and "State main road Nr.2 Tallinn - Tartu -Veru - Lugano Moigu Vaida 5.5 to 20.8 km: Assaku motorway tunnel, Tankla motorway tunnel", phase II start – in May 2016 and were completed on projects "Design and construction of Nehatu bridges on highway Tallinn-Narva, Estonia", "Renovation of Salu bridge" in Latvia. In December 2015 was concluded a construction contract on a project "The reconstruction of piers Nr. 66 and Nr. 67, extending along piers 66a-67a . Phase III construction – reconstruction of pier Nr. 66 with local engineering networks. Phase IV construction - railway advancement on piers Nr. 66, 66a, 67a and 67" in Klaipeda, Lithuania.

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 41.

Post balance sheet events

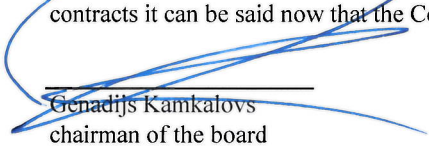
In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

Distribution of profit proposed by the Board

	2015 EUR
Profit share to be distributed	69 655
Proposed profit distribution:	
Retained earnings	69 655

Future prospects

In 2015 significant attention was paid to analysis of purchase price of materials, construction equipment and lease of machinery. The steps were taken in the optimization of productivity. For this purpose was carried out a mobile concrete unit construction in the territory of the Company Granita Street 15, Rumbula, Stopinu district. All above-mentioned certainly will be reflected on the 2016 financial results of the Company. In 2015 investments were made in construction equipment. The investments are planned to be continued in 2016. 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 for the project needs. Reviewing the workload in connection with signed and planned contracts it can be said now that the Company's turnover in the 2016 will not decrease.


Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2016

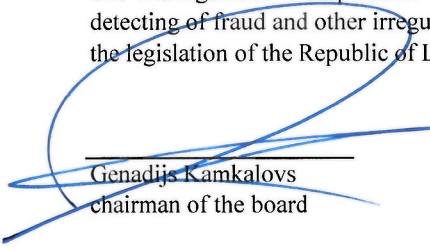
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STATEMENT OF THE MANAGEMENT RESPONSIBILITY

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 29 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.



Genadijs Kamkalovs
chairman of the board

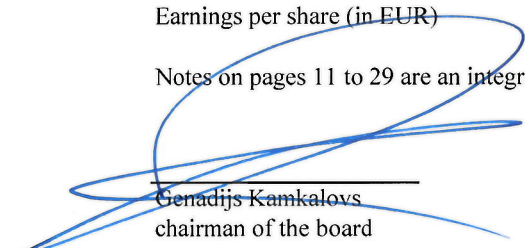
Riga, 29 April 2016

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INCOME STATEMENT

	Notes	2015 EUR	2014 EUR
Net sales	(1)	15 469 910	31 564 074
Cost of sales	(2)	(14 774 833)	(31 154 136)
Gross profit or losses		695 077	409 938
Distribution expenses	(3)	(9 318)	(55 277)
Administrative expenses	(4)	(948 918)	(749 901)
Other operating income	(5)	1 556 594	1 447 023
Other operating expenses	(6)	(1 020 128)	(788 148)
Gain from investments in subsidiaries and associated companies	(7)	296 028	-
Interest and similar income	(8)	9 209	24 998
Interest and similar expenses	(9)	(410 176)	(205 870)
Profit or losses before taxes		168 368	82 763
Corporate income tax	(10)	(72 908)	(41 341)
Other taxes	(11)	(25 805)	(20 831)
Net profit or losses		69 655	20 591
Earnings per share (in EUR)	(12)	0,10	0,03

Notes on pages 11 to 29 are an integral part of these financial statements.


Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2016

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BALANCE SHEET

		31.12.2015. EUR	31.12.2014. EUR
	Notes		
<u>ASSETS</u>			
Non-current assets			
Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights	(13)	17 445	14 732
Total intangible assets:		17 445	14 732
Fixed assets:			
Land and buildings	(13)	1 492 719	1 540 409
Equipment and machinery	(13)	3 785 691	4 429 052
Other fixed assets	(13)	1 473 321	1 862 943
Fixed assets under construction	(13)	77 835	101 242
Advances for fixed assets	(13)	2 145	582
Total fixed assets:		6 831 711	7 934 228
Investment property:			
Buildings	(14)	1 063 239	955 864
Investment properties under construction	(14)	-	208 214
Total investment property:		1 063 239	1 164 078
Non-current financial investments:			
Investments in subsidiaries	(15)	10 000	10 000
Investments in associates	(15)	57 894	16 008
Other loans and non-current receivables		2 182	-
Own shares	(15)	2 864	2 864
Total non-current financial investments:		72 940	28 872
Total non-current investments:		7 985 335	9 141 910
Current assets			
Inventories:			
Raw materials and consumables	(16)	868 952	1 998 629
Finished goods and work in progress	(17)	336 351	318 680
Advances for inventories		3 140	237 176
Total inventories:		1 208 443	2 554 485
Account receivable:			
Trade receivables	(18)	1 482 997	6 162 652
Receivables from group companies	(19)	1 519 354	3 815 445
Receivables from associates	(20)	-	10 672
Other receivables	(21)	1 214 981	477 409
Deferred expenses	(22)	57 438	45 447
Accrued income	(23)	366 662	2 157 575
Total receivables:		4 641 432	12 669 200
Cash and bank:	(24)	38 195	598 545
Total current assets:		5 888 070	15 822 230
<u>Total assets</u>		<u>13 873 405</u>	<u>24 964 140</u>

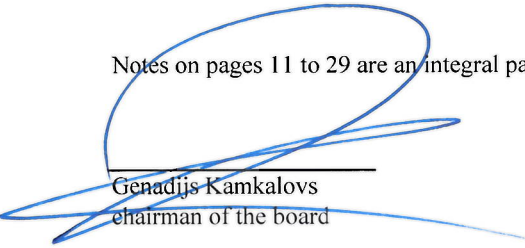
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BALANCE SHEET

		31.12.2015. EUR	31.12.2014. EUR
	Notes		
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	(25)	939 400	954 747
Reserves:			
other reserves	(26)	58 008	42 661
Retained earnings			
previous year's retained earnings		4 844 703	4 824 112
current years profit or losses		69 655	20 591
Total equity:		<u>5 911 766</u>	<u>5 842 111</u>
Liabilities:			
Non-current liabilities:			
Loans from banks	(27)	2 085 119	5 773 522
Other borrowings	(28)	669 070	1 641 356
Payables to group companies	(31)	272 372	-
Deferred income tax liabilities	(10)	314 117	270 489
Total non-current liabilities:		<u>3 340 678</u>	<u>7 685 367</u>
Current liabilities:			
Other borrowings	(28)	897 879	1 065 564
Advances from customers	(29)	-	342 266
Trade payables	(30)	2 702 077	7 904 379
Payables to group companies	(31)	317 125	473 231
Taxes and social insurance payments	(32)	90 981	169 042
Other liabilities	(33)	104 314	263 825
Deferred income		-	2 818
Accrued liabilities	(34)	508 585	1 215 537
Total current liabilities:		<u>4 620 961</u>	<u>11 436 662</u>
Total liabilities:		<u>7 961 639</u>	<u>19 122 029</u>
<u>Total equity and liabilities</u>		<u><u>13 873 405</u></u>	<u><u>24 964 140</u></u>

Notes on pages 11 to 29 are an integral part of these financial statements.


Genadijs Kamkalovs
Chairman of the board

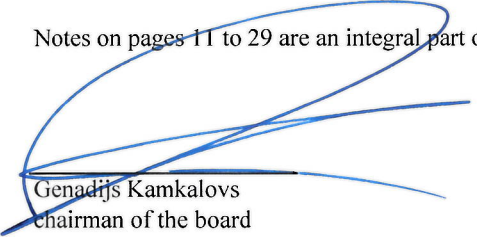
Riga, 29 April 2016

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2013.	954 747	42 661	4 824 112	5 821 520
Profit for the year	-	-	20 591	20 591
31.12.2014.	954 747	42 661	4 844 703	5 842 111
Denomination of share capital	(15 347)	15 347	-	-
Profit for the year	-	-	69 655	69 655
31.12.2015.	939 400	58 008	4 914 358	5 911 766

Notes on pages 11 to 29 are an integral part of these financial statements.


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Chairman of the board

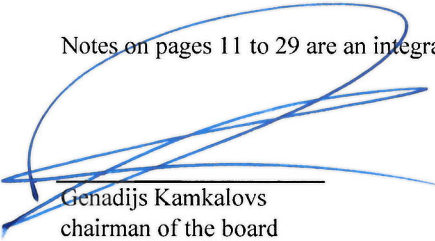
Riga, 29 April 2016

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CASH FLOW STATEMENT

		2015 EUR	2014 EUR
	Notes		
Cash flow from operating activities			
Profit or losses before taxes		168 368	82 763
<u>Adjustments for:</u>			
depreciation of fixed, intangible assets and investment properties	(12), (13)	1 478 904	1 511 317
(profit)/losses from sales of fixed assets		(122 954)	21 135
profit on disposal of fixed assets		(296 028)	-
changes in provisions		(986)	(179 932)
interest expenses	(8)	190 729	200 260
interest income	(7)	(9 154)	(24 977)
other taxes	(10)	(25 805)	(20 831)
Cash flow prior to changes in current assets and liabilities		1 383 074	1 589 735
Inventory (increase)/decrease		1 260 911	485 352
Account receivable (increase)/decrease		11 585 549	1 830 930
Account payable increase/(decrease)		(6 427 958)	(5 099 561)
Gross cash flow generated from operating activities		7 801 576	(1 193 545)
Corporate income tax paid	(31)	(2 241)	(29 000)
Net cash flow generated from operating activities		7 799 335	(1 222 545)
 Cash flow from investing activities			
Acquisition of fixed, intangible assets and investment properties		(3 136 865)	(1 383 365)
Proceeds from sales of fixed assets		63 480	-
Loans issued		(200 000)	-
Loans repayment received		-	4 079
Loans interest received		-	32
Equity investments paid	(14b)	(51 000)	(10 000)
Liquidation quota received		11 028	-
Net cash flow generated from investing activities		(3 313 357)	(1 389 254)
 Cash flow from financing activities			
Loans received		(250 000)	500 000
Loans repaid		250 000	(500 000)
Interest paid		(190 729)	(203 940)
Cash received/(paid) from overdrafts, net	(26)	(3 688 403)	2 089 269
Finance lease payments		(1 167 196)	(1 179 098)
Net cash flow generated from financing activities		(5 046 328)	706 231
 Net increase / (decrease) in cash and cash equivalents		(560 350)	(1 905 568)
 Cash and cash equivalents at the beginning of the financial year		598 545	2 504 113
 Cash and Cash equivalents at the end of the financial year	(24)	38 195	598 545

Notes on pages 11 to 29 are an integral part of these financial statements.


Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2016

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) 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.

(3) 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) and less progress billings. Progress billings not yet paid by customers and retention are included within "Trade receivables" or "Receivables from group companies".

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" or "Payables to group companies".

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(5) Foreign currencies

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank 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

	31.12.2015.	31.12.2014.
	EUR	EUR
1 USD	1,0887	1,2141
1 LTL	1	3,4528

(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 (except for sheet pilings, which are depreciated according to the intensity of use and the actual use in the relevant period) applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation % per annum
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) 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.

(9) 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.

(10) 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.

The initial value of the assets obtained in construction process is determined by its estimated market value, with a corresponding reduction of cost of sales in the reporting year.

(11) Accounts 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 .

(12) 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.

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(13) 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.

(13) 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.

(14) 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.

(15) Grants

Grants or subsidies received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and recognized as an income in the income statement on straight-line basis over the useful life of the assets acquired. Other subsidies or grants to cover the expenses are recognized as an income in the same period when the respective expenses have arisen and all material conditions in respect of the grants received has been fulfilled.

(16) 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.

(17) 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.

(18) 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.

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II. OTHER NOTES

(1) Net sales	2015 EUR	2014 EUR
By operating activities		
Income from construction works	13 686 440	30 731 464
Income from services and sale of construction products	1 783 470	832 610
	15 469 910	31 564 074
By location		
Income from sales of goods/services in Latvia	6 663 059	11 876 343
Income from sales of goods/services in Lithuania	7 028 761	19 361 503
Income from sales of goods/services in Estonia	1 778 090	326 228
	15 469 910	31 564 074
(2) Cost of sales		
Raw materials and consumables	6 400 819	10 070 127
Outsourced services	3 806 738	13 768 722
Salary expenses	1 869 671	3 597 441
Depreciation of fixed assets	1 377 929	1 408 581
Social insurance costs	456 750	878 830
Other costs	862 926	1 430 435
	14 774 833	31 154 136
(3) Distribution expenses		
Transportation costs	7 111	43 675
Advertising expenses	2 207	11 602
	9 318	55 277
(4) Administrative expenses		
Professional service costs	458 050	66 775
Transportation costs	94 761	83 356
Salary expenses	93 385	179 443
Office expenses	66 141	54 141
Communication expenses	27 842	33 754
Social insurance costs	21 986	41 827
Representation costs	7 773	13 497
Expenses related to the ESF project	3 653	89 964
Bank charges	1 191	13 235
Other administrative expenses	174 136	173 909
	948 918	749 901
(5) Other operating income		
Income from sale of materials	794 760	663 120
Income from leasing of investment properties (see Note 13)	312 394	273 191
Provisions for annual leaves, net changes	187 141	-
Net gain from disposal of fixed and current assets	122 954	9 913
Net income from exchange rate fluctuations	78 981	80 386
Net income from other services	42 501	53 544
Provisions for bad and doubtful debts, net change	-	156 790
Receivable ESF project funding	-	47 230
Other income	17 863	162 849
	1 556 594	1 447 023

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	2015 EUR	2014 EUR
(6) Other operating expenses		
Cost of materials sold	713 168	613 511
Cost of leased investment property	94 186	99 051
Net loss from assignment of account receivable	85 000	-
Provisions for bad and doubtful debts, net change	8 368	-
Net loss from sale of foreign currency	154	6 322
Donations	500	6 000
Other expenses	118 752	63 264
	<u>1 020 128</u>	<u>788 148</u>

(7) Income from investments in subsidiaries and associated companies		
General partnership's liquidation quota	11 028	-
Net gain from the sale of shares of subsidiaries and associates	285 000	-
	<u>296 028</u>	<u>-</u>

(8) Interest and similar income		
Interest income	9 124	24 983
Other income	85	15
	<u>9 209</u>	<u>24 998</u>

(9) Interest and similar expenses		
Interest charge, including bank's commissions for issued guarantees (see Note 39)	190 729	200 260
Penalties paid	219 447	5 610
	<u>410 176</u>	<u>205 870</u>

(10) Corporate income tax		
a) Components of corporate income tax		
Changes in deferred income tax	43 628	41 341
Corporate income tax according to the tax return	29 280	-
	<u>72 908</u>	<u>41 341</u>

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:

	2015 EUR	2014 EUR
Profit before taxes	168 368	82 763
Other taxes (real estate taxes)	(25 805)	(20 831)
Profit before corporate income tax	<u>142 563</u>	<u>61 932</u>
Theoretically calculated tax at 15% tax rate	<u>21 384</u>	<u>9 290</u>
Tax effects on:		
Non-deductible expenses for tax purposes	96 353	32 051
Non-taxable income	(44 404)	-
Tax discounts for donations	(425)	-
Total corporate income tax expenses	<u>72 908</u>	<u>41 341</u>

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Corporate income tax (continuation)

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	270 489	229 148
Deferred tax charged to the income statement	43 628	41 341
Deferred tax liabilities (asset) at the end of the financial year	314 117	270 489

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):

	31.12.2015. EUR	31.12.2014. EUR
Temporary difference on depreciation of fixed, intangible assets and investment property	393 629	403 680
Gross deferred tax liabilities	<u>393 629</u>	<u>403 680</u>
Temporary difference on accruals for annual leave	(34 788)	(76 506)
Temporary difference on provision for impaired materials	(32 194)	(32 342)
Temporary difference on provision for doubtful receivables	(1 000)	(14 940)
Temporary difference on other accruals	(4 498)	(2 400)
Tax losses carried forward	(7 032)	(7 003)
Gross deferred tax assets	<u>(79 512)</u>	<u>(133 191)</u>
Net deferred tax liability (assets)	<u>314 117</u>	<u>270 489</u>

(11) Other taxes	2015 EUR	2014 EUR
Real estate tax for land	5 889	3 129
Real estate tax for buildings	19 916	17 702
	<u>25 805</u>	<u>20 831</u>

(12) Earnings per Share (in euro)

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.

	2015	2014
Profit attributed to shareholders of the Company (euro)	69 655	20 591
Average annual number of shares	671 000	671 000
Earnings per share (in euro)	<u>0,10</u>	<u>0,03</u>

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(13) Intangible and fixed assets

	Concessions, patents, licenses, trade marks and similar rights	Land and buildings	Equipment and machinery	Fixed assets Other fixed assets	Fixed assets under construction	Advances for fixed assets	Total fixed assets
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2014.	28 420	2 229 831	9 298 085	3 256 206	101 242	582	14 885 946
Additions	1 237	-	14 726	35 235	3 104 065	2 145	3 156 171
Disposals	-	-	(2 750 582)	(288 623)	(221 152)	-	(3 260 357)
Reclassified from inventory	-	-	-	-	86 116	-	86 116
Reclassification from fixed assets under construction	7 047	86 817	2 873 215	25 357	(2 992 436)	-	(7 047)
Reclassification from advances	582	-	-	-	-	(582)	(582)
31.12.2015.	37 286	2 316 648	9 435 444	3 028 175	77 835	2 145	14 860 248
Depreciation							
31.12.2014.	(13 688)	(689 422)	(4 869 033)	(1 393 263)	-	-	(6 951 718)
Calculated	(6 153)	(134 507)	(934 430)	(301 017)	-	-	(1 369 954)
Disposals	-	-	153 710	139 426	-	-	293 136
31.12.2015.	(19 841)	(823 929)	(5 649 753)	(1 554 854)	-	-	(8 028 536)
Net carrying amount 31.12.2014.	14 732	1 540 409	4 429 052	1 862 943	101 242	582	7 934 228
Net carrying amount 31.12.2015.	17 445	1 492 719	3 785 691	1 473 321	77 835	2 145	6 831 711

a) Cadastral values

Cadastral value of freehold land as at December 31, 2015 is EUR 392 582 (31.12.2014: EUR 208 257). Cadastral value for the buildings (including investment property buildings) is EUR 1 222 167 (31.12.2014: EUR 953 431).

b) Joint ownership of real estate

In 2009 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.

d) Fixed assets under finance lease

Net carrying amount of fixed assets acquired under finance lease as at December 31, 2015 is EUR 3 328 752 (31.12.2014 - EUR 4 271 456). The ownership of those assets will be transferred to the Company after the settlement of all lease liabilities (see Note 28).

e) Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 27 and 39 to the financial statements.

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(14) Investment property

	Buildings	Investment property under construction	Total
	EUR	EUR	EUR
Cost			
31.12.2014.	1 353 613	208 214	1 561 827
Additions	210 171	(208 214)	1 957
31.12.2015.	1 563 784	-	1 563 784
Depreciation			
31.12.2014.	(397 749)	-	(397 749)
Calculated	(102 796)	-	(102 796)
31.12.2015.	(500 545)	-	(500 545)
Net carrying amount 31.12.2014.	955 864	208 214	1 164 078
Net carrying amount 31.12.2015.	1 063 239	-	1 063 239

Information on pledged investment properties is disclosed in the Note 27 and 39 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.

The Company leases out to the group company SIA TTS (Transportation Technology Systems) metal constructions workshop premises together with painting and shot cameras. 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 312 395 (2014: EUR 273 191) and direct investment property's operating expenses EUR 102 797 (2014: EUR 99 051).

(15) Equity investments

a) movement of investments

	Non-current			Total
	Investments in subsidiaries	Investments in associates	Own shares	
	EUR	EUR	EUR	EUR
Cost				
31.12.2014.	10 000	18 953	2 864	31 817
Purchase	51 000	-	-	51 000
Disposals	(2 000)	(2 945)	-	(4 945)
Reclassification	(49 000)	49 000	-	-
Liquidation	-	(7 114)	-	(7 114)
31.12.2015.	10 000	57 894	2 864	70 758
Changes of value of investments				
31.12.2014.	-	(2 945)	-	(2 945)
Written off	-	2 945	-	2 945
31.12.2015.	-	-	-	-
Net carrying amount 31.12.2014.	10 000	16 008	2 864	28 872
Net carrying amount 31.12.2015.	10 000	57 894	2 864	70 758

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b) investments in subsidiaries

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2014.	31.12.2015.	31.12.2014.	31.12.2015.	2014	2015
		%	%	EUR	EUR	EUR	EUR
General partnership Latvijas tilti & SZMA Rīga	Stopinu district, Rumbula, Granita street 15	70	70	-	-	1038	(54)
LT EHITUS OU	Tulika 15/17-231, Tallinn, Estonia	100	100	10000	10000	-	-

Principal activity of general partnership Latvijas tilti & SZMA Rīga and LT Ehitus OU 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. During the reporting year the general partnership has not performed any activities.

In November 2014 the Company has founded in Estonia subsidiary "LT Ehitus OU" with 100% investment capital. During financial year the subsidiary has not yet commenced substantial operating activities, as a result the Company didn't prepare consolidated financial statements for 2015 year.

c) investments in associates

Name	Address	Type of operations	Participating interest	
			31.12.2015.	31.12.2014.
			%	%
AS Transport Systems	E.Melngaiļa street 1a, Riga	Construction of roads and highways	12,5	12,5
General partnership TLTB	E.Melngaiļa street 1a, Riga	Construction of residential and non-residential buildings	-	25
Mostotņrad 17	S.Peterburg Institutsķij pr.,21, Russia	Construction services	-	50
General partnership LT Celtniecība	Stopinu district, Rumbula, Granita street 15	Construction services	50	50
General partnership LNK Industries partnership	Bieķensalas street 6, Riga	Construction of residential and non-residential buildings	33	33
General partnership LNK Industries Group	Sporta street 7, k-1, Riga	Construction of residential and non-residential buildings	50	50
General partnership LNK Industries EKO	Sporta street 7, k-1, Riga	Civil engineering, construction projects	34,39	34,39
LT Piling SIA	Jāņa Daliņa 15, Riga, Latvia	Construction services	49	-

The Company is also a member in other general partnerships, but during the year they have not performed any activities. In the reporting year "Mostotņrad 17" shares were sold, as well as General partnership TLTB liquidation was completed. In 2015 the Company was participated in incorporation of SIA LT Piling with 51% participation, but later signed a contract for the sale of SIA LT Piling shares and its participation decreased from 51% to 49%.

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(16) Raw materials and consumables	31.12.2015. EUR	31.12.2014. EUR
Raw materials and consumables	1 021 716	2 155 925
(Provisions for impaired materials)	(214 626)	(215 612)
Spare parts and other materials	61 862	58 316
	<u>868 952</u>	<u>1 998 629</u>

(17) Finished goods and work in progress		
Metal constructions	111 468	177 607
Concrete products	224 883	93 767
Metal constructions in production process	-	47 306
	<u>336 351</u>	<u>318 680</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."

(18) Trade receivables	31.12.2015. EUR	31.12.2014. EUR
Retentions in Latvia, Lithuania and Turkmenistan	443 141	3 082 196
Book value of trade receivables in Lithuania	406 497	2 457 199
Book value of trade receivables in Latvia	400 335	424 898
Book value of trade receivables in EU	387 000	-
Book value of trade receivables in Turkmenistan	-	450 233
(Provisions for bad and doubtful debts)	(153 976)	(251 874)
	<u>1 482 997</u>	<u>6 162 652</u>

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

(19) Receivables from group companies	31.12.2015. EUR	31.12.2014. EUR
SIA TTS (Transportation Technology Systems) debt for construction services	-	1 483 128
AS LNK Industries debt for construction services	380 163	892 785
AS LNK Industries retentions	191 727	825 092
SIA Enfort debt for construction services	7 329	202 739
AS LNK Industries Eesti filiaal debt for construction services	1 030	187 742
SIA TTS (Transportation Technology Systems) advance for materials	90 000	90 000
SIA TTS (Transportation Technology Systems) debt for services	86 512	66 760
AS LNK Industries Eesti filiaal retentions	79 500	31 250
AS LNK Industries advance payment	-	20 000
SIA ENFORT retentions	12 548	11 834
SIA Aviatest debt for services	238 975	200
SIA TTS (Transportation Technology Systems) retentions	11 034	-
SIA LT PILING debt for construction services	199 748	-
SIA LT PILING retentions	13 989	-
SIA LT PILING loans issued	200 000	-
Other receivables from group companies	6 799	3 915
	<u>1 519 354</u>	<u>3 815 445</u>

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(20) Receivables from associates	31.12.2015. EUR	31.12.2014. EUR
Debts of general partnerships LT Celtniecība and TLTB	-	10 672
Retentions of general partnership LT Celtniecība	10 341	10 341
(Provisions for bad and doubtful debts)	<u>(10 341)</u>	<u>(10 341)</u>
	<u>0</u>	<u>10 672</u>

(21) Other receivables		
Payments for receivables assignment	731 288	-
Other receivables	293 945	90 429
Advance payments for works and services	158 471	319 272
VAT overpaid (see Note 31 for details)	136 161	148 330
(Provisions on advance payments for works and services)	(100 649)	(111 670)
(Provision for other receivables)	(5 462)	(5 462)
Current loans	632	632
Advances for operating lease	595	-
Corporate income tax overpaid (see Note 31 for details)	-	35 878
	<u>1 214 981</u>	<u>477 409</u>

At the end of reporting year Company assigned the rights of claim on the nominal value of EUR 915 889 for the previous years, the Turkmen branch carried out, but not paid construction works.

(22) Deferred expenses	31.12.2015. EUR	31.12.2014. EUR
Insurance payments	45 745	36 875
Other expenses	11 693	8 572
	<u>57 438</u>	<u>45 447</u>

(23) Accrued income		
Accrued income related to construction contracts (see Note a))	349 615	2 082 099
Other accrued income	17 047	75 476
	<u>366 662</u>	<u>2 157 575</u>

a) Construction contracts

Costs incurred and profit recognised as income (minus recognized losses)	349 615	1 620 992
Gross amount of work-in-progress	<u>349 615</u>	<u>1 620 992</u>
where:		
Work-in-progress under assets (as "Accrued income")	349 615	2 082 099
Work-in-progress under liabilities (as "Accrued liabilities")	-	(461 107)
	<u>349 615</u>	<u>1 620 992</u>

Corresponding amounts:

Contract revenue recognised in income statement (as "Net sales")	13 463 186	30 731 464
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Advances received from customers (as "Advances from customers" and "Payables to group companies")	243 739	363 141
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Retentions on construction contracts (as "Trade receivables", "Receivables from group companies" and "Receivables from associates")	762 280	3 960 715
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(24) Cash and bank	31.12.2015. EUR	31.12.2014. EUR
Cash at bank on current accounts	915	567 320
Cash on hand	<u>37 280</u>	<u>31 225</u>
	<u>38 195</u>	<u>598 545</u>

(25) Share capital

As at December 31, 2015 the registered and fully paid share capital is EUR 941 400, composed of 671 000 ordinary shares with a nominal value of EUR 1.40 each. The share capital with voting rights is EUR 938 182, without voting rights personal shares - EUR 2 818. In 2015 the denomination of share capital to euro was done and as a result EUR 15 247 was reallocated to the other reserves.

(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.

(27) Loans from banks	31.12.2015. EUR	31.12.2014. EUR
AS Danske Bank overdraft balance *	<u>2 085 119</u>	<u>5 773 522</u>
	<u>2 085 119</u>	<u>5 773 522</u>

* The Company has signed overdraft agreement with AS Danske Bank with overdraft limit of 6 millions EUR with repayment term until 28 February 2017 and variable interest rate.

At 31 December 2015 the Company has used overdraft facilities in amount of EUR 2 085 119 (31.12.2014: EUR 5 773 522). Taking into consideration that overdraft's repayment date was set in 2017, it is classified as non-current loan from bank.

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.

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(28) Other borrowings	31.12.2015.	31.12.2014.
	EUR	EUR
Non-current		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	669 070	1 641 356
	<u>669 070</u>	<u>1 641 356</u>
Current		
Liabilities according to the finance lease agreements, payable within 1 year	897 879	1 065 564
	<u>897 879</u>	<u>1 065 564</u>
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 the financial year new financial lease agreements were concluded. Interest payments of average interest rate 3 months Euribor + 2-3% per annum are due on monthly basis. Financial lease repayment date is until November 2019.		
In accordance with the agreements the minimum finance lease payments are:	31.12.2015.	31.12.2014.
	EUR	EUR
Payable within 1 year	916 139	1 118 870
Payable from 2 to 5 years	678 055	1 684 311
Finance lease gross liabilities	<u>1 594 194</u>	<u>2 803 181</u>
Future finance costs	(27 245)	(96 261)
Present value of finance lease liabilities	<u>1 566 949</u>	<u>2 706 920</u>
(29) Advances from customers		
Advances from customers in Lithuania	-	342 266
	<u>-</u>	<u>342 266</u>
(30) Trade payables		
Trade payables - Latvia, EU	2 546 486	6 338 328
Retentions	155 591	1 566 051
	<u>2 702 077</u>	<u>7 904 379</u>
(31) Payables to group companies		
Non-current		
Payable to SIA TTS (Transportation Technology Systems) for received works and services	257 186	-
Payable to SIA Enfort for received services	15 186	-
	<u>272 372</u>	<u>-</u>
Current		
Payable to SIA Transporta aģentūra Irbe LNK for received services	146 897	-
Advances from AS LNK Industries for construction services, materials	96 842	294 176
Payable to AS LNK Industries for received works and services	49 384	91 472
Payable to SIA Aviatest LNK for received works and services	15 053	-
Payable to SIA Transporta aģentūra Irbe LNK for received services	5 468	-
Other payables to group companies	3 481	-
Advances from SIA TTS (Transportation Technology Systems)	-	67 537
Payable to SIA Enfort for received works and services	-	1 428
Payable to SIA TTS (Transportation Technology Systems) for received works and services	-	16 698
Payable to SIA LNK (Latvijas Novitātes Komplekss) for received services	-	1 920
	<u>317 125</u>	<u>473 231</u>

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(32) Taxes and social insurance payments

	31.12.2014.	Calculated	Calculated penalty and delay fines	(Paid)/ repaid	Transferred to/(from) other taxes & corrections	31.12.2015.
	EUR	EUR	EUR	EUR	EUR	EUR
VAT	(138 350)	150 947	29	(21 370)	643	(8 101)
Personal income tax	37 300	222 678	-	(251 339)	-	8 639
Social insurance payments	95 938	555 969	-	(589 574)	(27 336)	34 997
Corporate income tax	(27 551)	31 521	-	(2 241)	27 336	29 065
Real estate tax (buildings)	142	25 802	-	(25 802)	-	142
Natural resource tax	644	1 824	(5)	(1 486)	(643)	334
State risk duty	(25)	942	-	(1 074)	-	(157)
VAT abroad	(9 980)	621 714	-	(740 336)	542	(128 060)
Corporate income tax abroad	(8 327)	-	8 327	-	-	-
Other taxes abroad	35 018	246 049	-	(262 721)	(542)	17 804
Total	(15 191)	1 857 446	8 351	(1 895 943)	-	(45 337)
Hereof						
(Overpaid) - see Note 21 for details	(184 233)					(136 318)
Payables	169 042					90 981

(33) Other liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
Salaries	87 725	225 168
Other liabilities	16 589	38 657
	<u>104 314</u>	<u>263 825</u>

(34) Accrued liabilities

Accrued expenses for construction contracts (see Note 22)	-	461 107
Accrued unused annual leave expenses	264 314	560 047
Accrued liabilities for guarantee expenses (see Note 39)	39 272	18 750
Other accrued liabilities	204 999	175 633
	<u>508 585</u>	<u>1 215 537</u>

(35) Fees paid to auditors

	2015	2014
	EUR	EUR
For the audit of financial statements	13 120	17 200
For the review of dependence statement	300	450
Remuneration for other assurance engagements	-	1 795
	<u>13 420</u>	<u>19 445</u>

(36) Average number of employees

	2015	2014
Average number of employees during the financial year in Latvia	218	283
Average number of employees during the financial year in Lithuania	37	49
Average number of employees during the financial year in Turkmenistan	-	2
	<u>255</u>	<u>334</u>

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	2015	2014
(37) Remuneration to personnel	EUR	EUR
Employee pay in Latvia and abroad	2 050 003	4 005 011
Social insurance payments in Latvia and abroad	501 595	973 200
	<u>2 551 598</u>	<u>4 978 211</u>
 (38) Remuneration to the management		
Board members		
· salary expenses	115 397	136 825
· other social insurance expenses	26 767	31 688
Council members		
· salary expenses	7 112	68 717
· other social insurance expenses	1 634	16 358
	<u>150 910</u>	<u>253 588</u>

(39) Transactions with related parties

The parent company of the Company, who owns 89,69% of shares of the Company, is SIA LNK (Latvijas Novitātes Komplekss), which is registered in Latvia.

In 2015 the Company had economic transactions with the following companies that are directly or indirectly subsidiaries of SIA LNK (Latvijas Novitātes Komplekss) (further LNK) - SIA TTS (Transportation Technology Systems) (further TTS), AS LNK Industries, SIA Enfort, SIA Aviatest, SIA LT Piling, SIA Transporta aģentūra Irbe LNK, SIA LNK Tulkojumi, AS LNK Industries Eesti filiaāl, as well as with other Company's related parties.

a) claims and liabilities

		31.12.2015.		31.12.2014.	
	Notes	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies					
LNK Industries Eesti filiaāl AS	(18)	80 530	15 053	218 992	-
AS LNK Industries	(18),(30)	571 890	146 225	1 737 877	385 648
SIA TTS	(18),(30)	187 545	257 186	1 639 888	84 235
SIA Aviatest	(18)	238 975	-	200	-
SIA Enfort	(18),(30)	19 877	15 186	214 573	1 428
SIA LT PILING	(18),(30)	413 738	152 365	-	-
SIA Irbe	(30)	-	-	-	-
SIA LNK	(30)	-	1 601	-	1 920
Other group companies	(18)	6 799	1 881	3 915	-
		<u>1 519 354</u>	<u>589 497</u>	<u>3 815 445</u>	<u>473 231</u>

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b) transactions

		Sales to related parties		Purchases from related parties	
		2015	2014	2015	2014
		EUR	EUR	EUR	EUR
Group companies					
SIA TTS	sale/purchase of goods	18 347	482	-	2 456 042
	other services	447 916	437 356	246 320	2 445
	construction services	231 692	41 991	-	-
	interest for guarantees	5 264	22 025	15 186	-
SIA Irbe	other services	-	-	11 293	11 358
AS LNK Industries	construction services	1 720 707	312 504	-	-
Eesti filiaal	other services	283	1 280	21 289	-
SIA LNK	other services	-	-	6 070	12 002
	loan interest	-	-	41	575
SIA LNK Tulkojumi	other services	-	-	51 984	33 405
SIA Aviatest	other services	-	396	-	-
	construction services	1 128 470	603 821	-	-
SIA Celtniecības kvalitātes aģentūra	construction and other services	-	-	-	10 540
SIA LT Piling	construction and other services	483 949	-	109 842	-
	sale/purchase of goods	2 486 340	-	-	-
	share capital	49 000	-	-	-
AS LNK Industries	construction services	4 746 570	10 906 633	-	125 924
	sale/purchase of goods	156 627	61 888	-	-
	other services	14 499	31 372	88 447	19 896
	interest for guarantees	-	7 094	17 792	1 835
SIA Enfort	sale/purchase of goods	-	-	-	-
	construction services	-	250 959	-	-
	interest for guarantees	1 797	2 920	15 186	-
	other services	-	-	-	-
		<u>11 491 461</u>	<u>12 680 721</u>	<u>583 450</u>	<u>2 674 022</u>
Other related parties					
SIA Baltijas	other services	2 760	2 760	4 343	3 401
Logistikas parks		<u>2 760</u>	<u>2 760</u>	<u>4 343</u>	<u>3 401</u>
		<u>11 494 221</u>	<u>12 683 481</u>	<u>587 793</u>	<u>2 677 423</u>

(39) 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 39 272 (31.12.2014: EUR 18 750) (see Notes 34).

The Company has available for use guarantee issuance agreement concluded between AS LNK Industries and AS Danske Bank with the guarantee limit of 26 millions EUR with term until 10 November 2020 and interest rates 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.

A/S "LATVIJAS TILTI"
ANNUAL REPORT
for the year ended 31 December 2015

(40) 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 in USD currency. In the reporting year rights of claim against the largest debtors in USD were assigned, as a result in the end of the year the Company has no significant currency risks.

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

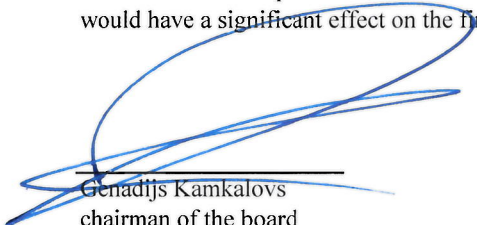
The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client 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.

(41) 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 2015.



Genadijs Kamkalovs
chairman of the board

Riga, 29 April 2016

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 (the Company) set out on pages 6 to 28 of the annual report. These financial statements comprise the balance sheet as at 31 December 2015, and the income statement, statement of cash flow and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion


In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia On Annual Reports.



Report on Other Legal and Regulatory Requirements

We have read the management report for 2015 as set on page 4 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements.

Baker Tilly Baltics SIA
Licence No. 80



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

Riga, 29 April 2016

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