“Nordeka” JSC

Annual report in accordance with
Latvian Statutory Requirements
for the year ended 31 December 2010,
*and Independent Auditor’s Report**

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

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Ancillary information

Name of the Company	“Nordeka”
Legal Status	Joint-stock Company
Registration No., place and date	4000302240, Riga
Legal Address	121 Dzirciema Str., Riga, LV-1055
Major shareholders	Juris Savickis, p.k.170946-10126 Pēteris Ločmelis, p.k.211152-10116
Members of the Board	Sergejs Zabavņikovs, i.d.190150-11803, Chairman of the Board Ēriks Žukovs i.d. 010649-11028, Gunārs Baubelis, i.d.270651-10703, Aleksandrs Žodžiks, i.d.090242-11015, Sergejs Konopijevs, i.d. 040251-11072,
Members of the Council	Juris Savickis, i.d.170946-10126, Chairman of the Council Mihails Kuzņecovs, i.d.050151-10708, deputy Chairman of the Council Nataļja Savicka, i.d.230254-10738 Edijs Eisaks, i.d.270778-11013 Aldis Pauniņš, i.d.260876-12187 Valdis Jefimovs, i.d.240144-11000
Reporting year	01.01.2010.-31.12.2010.
Previous reporting year	01.01.2009.-31.12.2009.
Auditors:	Deloitte Audits Latvia SIA Grēdu str. 4a, Rīga Licence No. 43 Inguna Staša Sworn auditor, Certificate No 145

Management Report

In 2010 the principal business of NORDEKA JSC was passenger traffic on international, long-distance and regional routes.

The net turnover over the 12 months of 2010 amounted to LVL 9 601 506 which is LVL 192 095 or 1.96% less than in 2009 (including revenues from transportation services provided – LVL 5 298 949 and special-purpose subsidy – LVL 4 302 557). Revenues from inland carriage were 97.38%, international carriage – 1.67% and 0.95% of revenues were generated from other business activities.

The total commercial run (12 092 326 kilometers) was 1.63% less than in 2009 which is explainable with amendments in the Concession agreement on routes number decrease.

In 2010 Company closed branch in city Aizkraukle due to the changes in routes in accordance with Concession agreement part „ Centrs 1” (Center 1).

Gross profit of 2010 was LVL 1 155 520, which has decreased by LVL 4 324 or 0.37% comparing to 2009. The profit before taxes was LVL 249 072, which has decreased by LVL 106 289 comparing to 2009. 2010 results are explainable with the fact that in accordance with Concession agreement terms some routes were reduced or closed.

Profit after taxes in 2010 was LVL 192 744 that is a decrease by 29.71% or 81 467 LVL. In 2010 Company decreased loan liability with the biggest shareholder and as of 31.12.2010 remaining loan liabilities were 152 038 LVL only.

Company's solvency ratio (equity / assets) in 2010 was 0.245, compared to 0.23 in 2009. Solvency ratio increase demonstrates that the Company has increased its financial stability.

Company's liquidity ratio in 2010 was 0.64 versus 1.0 in 2009. Decrease in liquidity ratio is explainable by the fact that in 2010 the Company has undertaken new leasing commitments.

Company's return on assets ratio in 2010 was 2.539% compared to 3.712% in 2009 and based on total industry results ratio demonstrates that the Company is competitive.

In line with continuing modernization of the bus fleet, the Company has purchased 16 new and almost new buses “Setra” and as the result liabilities due to SIA “UniCredit Leasing” increased. Purchase of new buses allowed to decrease costs of spare part purchases for LVL 14 775 as well as improved total bus fleet aging ratio.

The highest price for the Company’s share in 2010 in „NASDAQ OMX Riga” stock exchange was LVL 0.70, the lowest – LVL 0.40. The share price in the first transaction in 2010 was LVL 0.67, but for the last – LVL 0.61.

New fuel control system “VIZORS” which was launched already in 2009 has resulted in fuel cost saving in 2010.

In 2010 the Company concluded the agreement with ice-hockey club “Rigas Dinamo” on provision of transport services that was a new type of service for the Company.

Management board and council remuneration is fixed and in 2010 comprised 4.26% from personnel costs and 0.0147% from total turnover.

In 2011 the course of development of the Company will largely depend on the Company’s ability to fulfill regulations of inland passenger transportation agreements stated in Concession agreement of 24 November 2008 “Public transportation services in regional intercity routes Nr.2008/01-K-C2/4-01 (Centrs 2); Nr. 2008/01-K-DR/3-01 (Dienvidrietumi); Nr. 2008/01-K-DA/5-01 (Dienvidaustrumi); Nr. 2008/01-K-A/2-01 (Austrumi)” and regulation of Cabinet of Ministers of the Republic of Latvia No 1226, approved on 26 October

2009 “Compensation of losses and costs arisen from public transportation services and the order of setting tariffs in public transportation”.

In 2011 the Company received notification from State Ltd.“Autotransporta direkcija” regarding possible reduction of subsidies for regional intercity routes. In case of subsidy decrease the Company will be enforced to decrease even more its expenses in order to fulfill the requirements based on Concession agreement. Despite of the situation described and existent obstacles, currently the Company continues to operate in good faith to comply with the conditions of the Concession agreement ensuring execution of all passenger routes regardless of probable revenue decrease in future.

Corporate Governance report of NORDEKA JSC will be submitted to „NASDAQ OMX Riga” stock exchange together with audited annual report of 2010.

During the period between the balance sheet date and the date of signing this report there have been no significant events that would have a material impact on the Company’s financial statements for the year 2010.

Net result after taxes is profit LVL 192 744.

The Board suggests to retain profit for the Company`s needs and transfer it to accumulated loss.

Annual report has been approved on 22 March 2011 by

Sergejs Zabavņikovs Chairman of the Board	Aleksandrs Žodžiks Member of the Board – Executive Director	Sergejs Konopijevs Member of the Board
Ēriks Žukovs Member of the Board	Gunārs Baubelis Member of the Board	

Statement of Responsibility of the Management

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

The management confirms that the financial statements have been prepared in accordance with Latvian legislation and present fair and true view of the financial position of the Company as of 31 December 2010, and its financial performance and cash flows for the year then ended and the management report encloses description of JSC “Nordeka” business development and results.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements presented on pages 7 to 26. The financial statements are prepared in accordance with the Latvian law “On Annual Reports”, Law on Accounting and Latvian Accounting Standards issued by the Accounting Board of the Ministry of Finance.

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

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

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Income statement for the year 2010

(by turnover cost method)

Item	Note No.	2010 LVL	2010 EUR	2009 LVL	2009 EUR
1. Net turnover	**2**	9 601 506	13 661 712	9 793 601	13 935 039
2. Costs of goods sold	**3**	(8 445 986)	(12 017 555)	(8 633 757)	(12 284 730)
3. Gross profit		**1 155 520**	**1 644 157**	**1 159 844**	**1 650 309**
4. Selling expenses	**4**	(204 190)	(290 537)	(34 462)	(49 035)
5. Administrative expenses	**5**	(449 314)	(639 316)	(400 738)	(570 199)
6. Other operating income	**6**	51 299	72 992	24 967	35 525
7. Other operating expenses	**7**	(74 616)	(106 169)	(93 030)	(132 369)
8. Interest income and similar income	**8**	3 751	5 337	499	710
9. Interest expenses and similar expenses	**9**	(233 378)	(332 067)	(301 719)	(429 308)
10. Profit before taxes		**249 072**	**354 397**	**355 361**	**505 633**
11. Corporate income tax	**24**	-	-	-	-
12. Deferred tax	**24**	(35 439)	(50 425)	(61 333)	(87 269)
13. Other taxes	**10**	(20 889)	(29 722)	(19 817)	(28 197)
14. Profit for the year		**192 744**	**274 250**	**274 211**	**390 167**

Notes on pages 12 to 26 form an integral part of these financial statements.

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Aleksandrs Žodžiks
Member of the Board – Executive Director

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Member of the Board

Ēriks Žukovs
Member of the Board

Gunārs Baubelis
Member of the Board

Balance Sheet as at 31 December 2010

Assets	Note No.	31.12.2009 LVL	31.12.2009 EUR	31.12.2009 LVL	31.12.2009 EUR
1. Long-term investments					
I. Intangible assets					
1. Concessions, patents, licenses, trademarks and other similar rights		3 304	4 701	18 272	25 999
Total intangible assets	**11**	**3 304**	**4 701**	**18 272**	**25 999**
II. Fixed assets					
1. Land and buildings		349 710	497 593	322 232	458 495
2. Equipment and machinery		112 730	160 400	103 588	147 393
3. Other fixed assets		6 116 450	8 702 924	5 717 975	8 135 945
4. Fixed assets under construction		2 460	3 500	-	-
Total fixed assets	**12**	**6 581 350**	**9 364 417**	**6 143 795**	**8 741 833**
V. Long-term financial investments					
1. Other securities and investments		18 533	26 370	18 533	26 370
2. Loans to the company’s employees		2 300	3 273	4 200	5 976
Total long-term financial investments		**20 833**	**29 643**	**22 733**	**32 346**
Total long-term investments		**6 605 487**	**9 398 761**	**6 184 800**	**8 800 178**
2. Current assets					
I. Inventory					
1. Raw materials		157 110	223 548	160 431	228 273
2. Advance payments for goods		-	-	38	54
Total inventory	**13**	157 110	**223 548**	**160 469**	**228 327**
III. Accounts receivable					
1. Trade accounts receivable	**14**	137 750	196 001	124 394	176 997
2. Other receivables	**15**	145 525	207 063	742 419	1 056 367
3. Prepaid expenses	**16**	44 590	63 446	38 212	54 370
Total accounts receivable		**327 865**	**466 510**	**905 025**	**1 287 734**
IV. Cash and cash equivalents	**17**	**499 138**	**710 209**	**136 581**	**194 337**
Total current assets		**984 113**	**1 400 267**	**1 202 075**	**1 710 399**
Total assets		**7 589 600**	**10 799 028**	**7 386 875**	**10 510 576**

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Balance Sheet as at 31 December 2010

Liabilities	Note No.	31.12.2010 LVL	31.12.2010 EUR	31.12.2009 LVL	31.12.2009 EUR
1. Equity					
1. Share capital	**18**	1 906 588	2 712 830	1 906 588	2 712 830
2. Retained earnings:					
a) accumulated loss		(236 496)	(336 503)	(510 707)	(726 670)
b) current year profit		192 744	274 250	274 211	390 167
Total equity		**1 862 836**	**2 650 577**	**1 670 092**	**2 376 327**
2. Liabilities					
I. Long-term liabilities					
1. Leasing liabilities	**20**	3 924 974	5 584 735	3 538 205	5 034 412
2. Loans	**21**	-	-	752 038	1 070 054
3. Deferred tax liabilities	**24b**	255 826	364 008	220 387	313 582
Total long-term liabilities		**4 180 800**	**5 948 743**	**4 510 630**	**6 418 048**
II. Short-term liabilities					
1. Leasing liabilities	**20**	840 226	1 195 534	629 541	895 756
2. Loans		152 038	216 331	-	-
3. Advance payments received from customers		295	419	300	427
4. Trade accounts payable		317 430	451 662	330 296	469 969
5. Taxes and social security payments	**22**	84 892	120 790	85 485	121 634
6. Other payables	**23**	146 706	208 744	157 286	223 798
7. Deferred income		644	916	-	-
8. Accrued liabilities	**19**	3 733	5 312	3 245	4 617
Total short-term liabilities		**1 545 964**	**2 199 708**	**1 206 153**	**1 716 201**
Total liabilities		**5 726 764**	**8 148 451**	**5 716 783**	**8 134 249**
Total equity and liabilities		**7 589 600**	**10 799 028**	**7 386 875**	**10 510 576**

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Statement of cash flows

(by indirect method)

	Note	2010		2009	
		LVL	EUR	LVL	EUR
I. Cash flow from operating activities					
Profit before taxes		249 072	354 398	355 361	505 633
Adjustments:					
depreciation of fixed assets	12	1 299 774	1 849 412	1 166 305	1 659 502
amortization of intangible assets	11	16 851	23 977	23 711	33 738
loss on fixed assets sold	7	1 114	1 585	1 310	1 864
interest payments and similar expenses	9	233 378	332 067	301 719	429 308
interest income and similar income	8	(3 751)	(5 337)	(499)	(710)
State subsidies calculated	2	(4 302 557)	(6 121 987)	(4 484 264)	(6 380 533)
Cash flows to operating activities before changes in current assets and liabilities		**(2 506 119)**	**(3 565 885)**	**(2 636 357)**	**(3 751 198)**
Adjustments:					
receivables decrease		411 267	585 180	1 207 345	1 717 897
changes in inventory		3 359	4 779	(1 690)	(2 405)
trade payables (decrease) / increase		(22 912)	(32 601)	28 559	40 636
Gross cash flow to operating activities		**(2 114 405)**	**(3 008 527)**	**(1 402 143)**	**(1 995 070)**
Real estate tax paid	22	(20 889)	(29 722)	(19 817)	(28 197)
Interest received	8	3 751	5 337	499	710
State subsidies received		4 793 063	6 819 914	3 992 949	5 681 455
Net cash flow from operating activities		**2 661 520**	**3 787 002**	**2 571 488**	**3 658 898**
II. Cash flow from/ (to) investing activities					
Acquisition of fixed assets and intangible assets		(203 583)	(289 672)	(242 854)	(345 550)
Income from sale of fixed and intangible assets		7 808	11 110	894	1 272
Issued loans		-	-	(1 540)	(2 191)
Received loan repayments		1 900	2 703	-	-
Cash flow used in investing activities		**(193 875)**	**(275 859)**	**(243,500)**	**(346 469)**
III. Cash flow from/ (to) financing activities					
Loan repayments		(600 000)	(853 723)	(585 525)	(833 127)
Lease payments		(1 271 452)	(1 809 113)	(1 753 481)	(2 494 979)
Interest payments		(233 636)	(332 434)	(301 461)	(428 940)
Net cash flow used in financing activities		**(2 105 088)**	**(2 995 270)**	**(2 640 467)**	**(3 757 046)**
IV. Net increase / (decrease) in cash or cash equivalents		**362 557**	**515 872**	**(312 479)**	**(444 618)**
V. Cash and cash equivalents at the beginning of the period		**136 581**	**194 337**	449 060	638 955
VI. Cash and cash equivalents at the end of the period	17	**499 138**	**710 209**	**136 581**	**194 337**

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Statement of changes in equity

	Share capital		Current year profit		Accumulated loss		Total equity	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
31.12.2008	**1 906 588**	**2 712 830**	**(188 705)**	**(268 503)**	**(322 002)**	**(458 167)**	**1 395 881**	**1 986 160**
Profit of 2008 transferred to accumulated loss of the previous years	-	-	188 705	268 503	(188 705)	(268 503)	-	-
Profit for the reporting year	-	-	274 211	390 167	-	-	274 211	390 167
31.12.2009	**1 906 588**	**2 712 830**	**274 211**	**390 167**	**(510 707)**	**(726 670)**	**1 670 092**	**2 376 327**
Profit of 2009 transferred to accumulated loss of the previous years	-	-	(274 211)	(390 167)	274 211	390 167	-	-
Profit of the reporting year	-	-	192 744	274 250	-	-	192 744	274 250
31.12.2010	**1 906 588**	**2 712 830**	**192 744**	**274 250**	**(236 496)**	**(336 503)**	**1 862 836**	**2 650 577**

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Notes to the Financial Statements

1. Accounting policies

Basis of preparation of the Annual Report

The Annual Report is prepared in accordance with the law of the Republic of Latvia "On accounting" and "On the Annual Reports" and the following Latvian accounting standards (LAS) were applied:

LAS No 1 – “Preparation of financial statements”
LAS No 2 – “Cash flow statement”
LAS No 3 – “Events after balance sheet date”
LAS No 4 – “Accounting policies, changes in accounting estimates”
LAS No 5 – “Long term contractual agreements”
LAS No 6 – “Revenues”
LAS No 7 – “Fixed assets”
LAS No 8 – “Provisions”
LAS No. 9 – “Investment property”
LAS No.10 – “Lease”,
LAS No. 11 – “Inventory”.

The Profit or Loss Statement is prepared by applying the turnover costs method. The Cash Flow Statement has been prepared using the indirect method.
Financial statements are based on historical cost valuation method.

Accounting principles applied

The annual report has been prepared in accordance with the following policies:

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

Recognition of income and net turnover

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

Other income is recognized as follows:
a) Income from rent – in the period for which it relates;
b) Income from fines and penalties – at the moment of receiving;
c) Dividends – at the moment, when declared.

State subsidies

In accordance with local regulations, the Company receives subsidies for particular passenger transportation and for used fuel. Received subsidies are recorded in income statement as revenue, when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Expenses

Expenses are recognized in the period to which they relate. Borrowing costs are expensed in the period for which they relate and included in the position “interest and similar expenses”.

Intangible assets and fixed assets

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

Intangible assets:	%
Licences, software	20
Fixed assets:	
Buildings	5
Equipment and machinery	20
Transport vehicles	6 - 33
Computers and data storage equipment	5
Other fixed assets	6 - 33

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

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

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

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

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

Investments in subsidiaries and associates

Investments in subsidiaries (i.e., in companies, in which the Company is holding more than 50% of share capital or which it is controlling in some other way) and associated companies (i.e., companies, in which the Company exercises significant influence but does not hold the controlling interest, in which it has a 20-50% stake of share capital) are stated at cost. After initial recognition, investments in subsidiaries and associated companies are stated at cost, less impairment, if any. If there are any events or changes of conditions indicating that the book value of investments in subsidiaries and associated companies could be irrecoverable, the value of the respective investments in subsidiaries and associated companies is reduced in order to establish reduction of their value. The Company recognizes the revenues from its holding in equity only to the extent to which the Company receives the share of accumulated profit of the subsidiary or associated company, which is gained after the date of acquisition of the subsidiary or associated company. The received part of profit, which exceeds such profit, is considered a recovery of the investment and is regarded as a reduction of the initial value of the investment.
Other investments are recognized at cost, less impairment, if any.

Accounts receivable

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

Inventory

Inventory is valued by applying the FIFO method. Inventories are stated at the lower of cost and net realizable value. Obsolete, slow-moving or deficient stock has been valued at net realizable value. When the net realizable value of stock is lower than its cost, provisions are created to reduce the value of inventories to its net realizable value.

Foreign currency

The functional currency of the Company is the Latvian national currency – lat (LVL). Financial statements are presented also in EUR and official Bank of Latvia rate of 0.702804 has been used for conversion.

Transactions denominated in foreign currencies are translated to lats at the official exchange rate established by the Bank of Latvia at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are netted in the profit or loss statement.

	31.12.2010	**31.12.2009**
USD	0.535	0.489
PLN	0.176	0.169
CZK	0.027700	0.0266
EUR	0.702804	0.7028
LTL	0.20300	0.204
BYR 1000 units	0.178	0.172

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise the cash on hand, balances of current bank accounts and short-term deposits with an initial term up to 90 days.

Long-term and short-term items

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

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recognized as off-balance sheet liabilities.

Loans and borrowings

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

Borrowing costs

Borrowing costs are expensed in the period to which they are attributable. Amounts are disclosed in the income statement as interest and similar expense.

Due to suppliers

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

Accruals for unused vacations

Amount of accruals for unused annual vacations is determined by multiplying the average wage of each employee in the reporting year by the accrued but unused annual vacation days at the end of the reporting year.

Corporate income tax

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

Current tax

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

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences arise from different accounting and tax depreciation rates of fixed assets and unused tax losses. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

Related parties

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

Provisions

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

Use of estimates and critical accounting judgments

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

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

- the Company reviews the estimated useful lives of tangible fixed assets at the end of each annual reporting period;

  The management of the Company uses their judgment in estimating useful lives of tangible fixed assets and their assumptions may change and new amounts calculated.

- the Company reviews property, plant and equipment and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;

  The Company calculates and records loss on impairment of property, plant and equipment on the basis of an evaluation of their future use, planned liquidation or sale. The Company does not believe that any material adjustments are needed due to impairment of the Company's assets considering the planned production and sales levels;

- the Company assesses recoverability of unused tax losses (see note 24);

  The Company recognized a deferred tax asset from tax losses carry forward in the amount of LVL 1 903 158 (2009: 1 734 471). The Company reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to enable its recovery. Currently the Company assessed that there are sufficient taxable temporary differences which are expected to reverse in the same periods into which a tax loss arising from the deferred tax asset can be carried forward.

2. Net turnover

Net turnover split by geographical markets:	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Latvia	5 138 265	7 311 092	5 113 438	7 275 767
Subsidies (State Ltd "Autotransporta direkcija")	4 302 557	6 121 987	4 484 264	6 380 533
Foreign countries	160 684	228 633	195 899	278 739
Total	**9 601 506**	**13 661 712**	**9 793 601**	**13 935 039**

Net turnover split by types of activities:	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Income from operating activity	5 207 596	7 409 741	5 190 694	7 385 692
Subsidies (State Ltd "Autotransporta direkcija")	4 302 557	6 121 987	4 484 264	6 380 533
Commission income	25 301	36 000	29 285	41 669
Other income	66 052	93 984	89 358	127 145
Total	**9 601 506**	**13 661 712**	**9 793 601**	**13 935 039**

3. Costs of goods sold

	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Personnel expenses:	3 024 670	4 303 718	3 176 757	4 520 118
Salaries	*2 447 600*	*3 482 621*	*2 579 926*	*3 670 904*
Social security payments	*577 070*	*821 097*	*596 831*	*849 214*
Fuel expenses	2 226 358	3 167 822	2 017 681	2 870 901
Depreciation and amortization	1 307 233	1 860 025	1 180 625	1 679 878
Bus station services	526 041	748 489	806 101	1 146 978
Spare part expenses	296 912	422 468	311 687	443 491
Insurance expenses	204 935	291 596	234 872	334 193
Tire expenses	89 810	127 788	84 531	120 277
Maintenance expenses	91 761	130 564	70 967	100 977
Other supply costs	107 790	153 371	119 452	169 965
Other production costs	570 476	811 714	631 084	897 952
Total	**8 445 986**	**12 017 555**	**8 633 757**	**12 284 730**

4. Selling expenses

	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Commissions for tickets sold	197 497	281 014	24 075	34 256
Advertising expenses	6 693	9 523	10 387	14 779
Total	**204 190**	**290 537**	**34 462**	**49 035**

In 2009 changes in the agreements with bus stations were made. According to new terms the Company did not pay commissions for sold bus tickets; however the fee for entrance in the bus stations was significantly increased, and was added to cost of services provided.
In 2010 further amendments in agreements were made and Company was paying commission for tickets sold in bus stations that was calculated as interest from ticket price and recognized in income statement as "selling expense". As a result of above mentioned agreement amendments, cost of goods sold and selling expenses are not fully comparable with 2009 presentation.

5. Administrative expenses

	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Costs of personnel:	294 507	419 046	226 025	321 605
Salaries	*241 422*	*343 513*	*174 329*	*248 048*
Social security payments	*53 085*	*75 533*	*51 696*	*73 557*
Bank services	29 829	42 443	31 154	44 328
Business trips	7 827	11 136	11 143	15 855
Other expenses	117 151	166 691	132 416	188 411
Total	**449 314**	**639 316**	**400 738**	**570 199**

During 2010 the Company received only audit services from Deloitte Audits Latvia SIA and management consultations from Deloitte Latvia SIA.

6. Other operating income

	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Income from exchange rate fluctuations, net	42 940	61 098	21 426	30 485
Other income	8 359	11 894	3 541	5 038
Total	**51 299**	**72 992**	**24 967**	**35 525**

7. Other operating expenses

	2010		2009	
	LVL	EUR	LVL	EUR
Loss of exchange rate fluctuations, net	27 758	39 496	25 871	36 811
Loss from disposed fixed assets	1 114	1 585	1 310	1 864
Other	45 744	65 088	65 849	93 694
Total	**74 616**	**106 169**	**93 030**	**132 369**

8. Interest income and similar income

	2010		2009	
	LVL	EUR	LVL	EUR
Interest income for bank account balances	3 751	5 337	499	710
Total	**3 751**	**5 337**	**499**	**710**

9. Interest expenses and similar expenses

	2010		2009	
	LVL	EUR	LVL	EUR
SIA SEB Līzings	144 014	204 914	212 094	301 783
SIA UniCredit Leasing	39 892	56 761	61 511	87 522
J. Savickis	37 149	52 858	-	-
SIA Swedbank Līzings	8 378	11 921	17 728	25 225
AS Parex Bank	3 945	5 613	10 386	14 778
Total	**233 378**	**332 067**	**301 719**	**429 308**

10. Other taxes

	2010		2009	
	LVL	EUR	LVL	EUR
Real estate tax (see note 22)	20 889	29 722	19 817	28 197
Total	**20 889**	**29 722**	**19 817**	**28 197**

11. Intangible assets

	Concessions patents, licenses, trademarks and other similar rights		Total	
	LVL	EUR	LVL	EUR
Historical cost				
31.12.2009	**94 772**	**134 848**	**94 772**	**134 848**
Additions	1 972	2 806	1 972	2 806
Disposals	(128)	(182)	(128)	(182)
31.12.2010	**96 616**	**137 472**	**96 616**	**137 472**
Accumulated amortisation				
31.12.2009	**76 500**	**108 849**	**76 500**	**108 849**
Calculated	16 851	23 976	16 851	23 976
Disposed	(39)	(54)	(39)	(54)
31.12.2010	**93 312**	**132 771**	**93 312**	**132 771**
Net book value at 31.12.2009	**18 272**	**25 999**	**18 272**	**25 999**
Net book value at 31.12.2010	**3 304**	**4 701**	**3 304**	**4 701**

12. Fixed assets

	Land and buildings		Equipment and machinery		Other fixed assets		Fixed assets under construction		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Historical cost										
31.12.2009	**1 048 585**	**1 492 002**	**237 879**	**338 471**	**9 226 516**	**13 128 150**	**-**	**-**	**10 512 980**	**14 958 623**
Additions	72 764	103 534	31 616	44 986	1 639 322	2 332 545	2 460	3 500	1 746 162	2 484 565
Disposals	-	-	(4 288)	(6 101)	(313 434)	(445 977)	-	-	(317 722)	(452 078)
31.12.2010	**1 121 349**	**1 595 536**	**265 207**	**377 356**	**10 552 404**	**15 014 718**	**2 460**	**3 500**	**11 941 420**	**16 991 110**
Accumulated depreciation										
31.12.2009	**726 353**	**1 033 507**	**134 291**	**191 078**	**3 508 541**	**4 992 205**	**-**	**-**	**4 369 185**	**6 216 790**
Calculated	45 286	64 436	22 473	31 976	1 232 015	1 753 000	-	-	1 299 774	1 849 412
Disposed	-	-	(4 287)	(6 100)	(304 602)	(433 409)	-	-	(308 889)	(439 509)
31.12.2010	**771 639**	**1 097 943**	**152 477**	**216 954**	**4 435 954**	**6 311 796**	**-**	**-**	**5 360 070**	**7 626 693**
Net book value at 31.12.2009	**322 232**	**458 495**	**103 588**	**147 393**	**5 717 975**	**8 135 945**	**-**	**-**	**6 143 795**	**8 741 833**
Net book value at 31.12.2010	**349 710**	**497 593**	**112 730**	**160 400**	**6 116 450**	**8 701 924**	**2 460**	**3 500**	**6 581 350**	**9 364 417**

The real estate value in the balance sheet is 349 710 LVL (2009 – 322 232 LVL), the cadastral value of real estate 1 372 570 LVL (2009 – 1 392 630 LVL).

Historical cost of fixed assets that have been fully depreciated but are still in active use, is 1 478 559 LVL (2009 - 852 720 LVL).

The amount of acquired assets under finance lease during year 2010 is 1 868 906 LVL (including VAT), the total net book value of assets under finance lease is LVL 5 598 246 (2009: LVL 5 038 361).

13. Inventory

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Carrying value of inventories	193 958	275 978	193 754	275 687
Advance payments for goods	-	-	38	54
Provision for slow moving inventory	(36 848)	(52 430)	(33 323)	(47 414)
Net value	**157 110**	**223 548**	**160 469**	**228 327**

Provisions for slow moving inventory:

	LVL	EUR
Provisions for slow moving inventory as at 31.12.2009	**33 323**	**47 414**
Calculated for the year	3 525	5 016
Written off inventory	-	-
Provisions for slow moving inventory as at 31.12.2010	**36 848**	**52 430**

14. Trade accounts receivable

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Trade accounts receivable	144 503	205 609	395 178	562 288
Provisions for doubtful debts	(6 753)	(9 608)	(270 784)	(385 291)
Net value	**137 750**	**196 001**	**124 394**	**176 997**

Provisions for doubtful debtors:

	LVL	EUR
Provisions for doubtful debts as at 31.12.2009	**270 784**	**385 291**
Calculated for the year	925	1 316
Written off during 2010	(264 956)	(376 999)
Provisions for doubtful debts as at 31.12.2010	**6 753**	**9 608**

15. Other receivables

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Tax overpayment (see note 22)	114 956	163 568	188 729	268 537
Debt from State Ltd "Autotransporta direkcija"	809	1 151	491 315	699 078
Settlements with suppliers (advance payments)	7 262	10 333	1 755	2 498
Due from employees	2 603	3 703	1 398	1 989
Other debtors	19 895	28 308	59 222	84 265
Total	**145 525**	**207 063**	**742 419**	**1 056 367**

16. Prepaid expenses

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Insurance	42 105	59 910	35 807	50 949
Newspaper subscription	149	212	149	212
Other subscription expenses	69	98	484	688
Other	2 267	3 226	1 772	2 521
Total	**44 590**	**63 446**	**38 212**	**54 370**

17. Cash and cash equivalents

		31.12.2010			31.12.2009		
		Currency	LVL	EUR	Currency	LVL	EUR
Cash on hand	BYR	320 270	57	81	216 450	37	53
	EUR	11	8	11	17	12	17
	LTL	3 136	636	905	38	8	11
	LVL	7 092	7 092	10 091	6 063	6 063	8 627
	PLN	100	17	24	100	17	24
	USD	200	107	152	495	242	344
	CZK	-	-	-	1 784	47	67
Cash in the bank	BYR	-	-	-	1 982 558	341	485
	EUR	54 109	38 028	54 109	38 684	27 187	38 684
	LVL	431 727	431 727	614 292	70 691	70 900	100 882
Cash in transit		21 466	21 466	30 544	31 727	31 727	45 143
Total			**499 138**	**710 209**		**136 581**	**194 337**

18. Share capital

The share capital of the Company consists of 1 904 588 ordinary shares with voting rights and 2 000 shares without voting rights. The nominal value of each share is 1 LVL. All shares have been fully paid.

As of 31 December 2010 and 2009 shares of the Company were split as follows:

	Number of shares 2009	Ownership 2009	Changes in 2010	Ownership 2010	Proportion 2010
Juris Savickis	916 970	48.09%	-	916 970	48.09%
Pēteris Ločmelis	634 800	33.30%	-	634 800	33.30%
252 Latvian physical persons (incl. shares without voting rights	183 663	9.63%	-	183 663	9.63%
Sandra Savicka	124 444	6.53%	-	124 444	6.53%
State social insurance agency	46 711	2.45%	-	46 711	2.45%
Kopā	**1 906 588**	**100.00%**	**-**	**1 906 588**	**100.00%**

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

19. Accrued liabilities

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Accruals for unused vacations	3 733	5 312	3 245	4 617

20. Leasing liabilities

Table below discloses finance lease liabilities as of 31.12.2010 and as of 31.12.2009:

	31.12.2010 LVL	31.12.2010 EUR	31.12.2009 LVL	31.12.2009 EUR
Swedbank Līzings SIA:				
Short term part	97 509	138 743	172 655	245 666
Long term part	54 555	77 625	152 064	216 368
Finance lease payments, total	**152 064**	**216 368**	**324 719**	**462 034**
UniCredit Leasing SIA:				
Short term part	247 381	351 991	-	-
Long term part	978 019	1 391 596	-	-
Finance lease payments, total	**1 225 400**	**1 743 587**	-	-
SEB Līzings SIA:				
Short term part	495 336	704 800	456 886	650 090
Long term part	2 892 400	4 115 514	3 386 141	4 818 044
Finance leasing payments, total	**3 387 736**	**4 820 314**	**3 843 027**	**5 468 134**
Short term part, total	**840 226**	**1 195 534**	**629 541**	**895 756**
Long term part, total	**3 924 974**	**5 584 735**	**3 538 205**	**5 034 412**

The currency of the lease liabilities is EUR. Interest rate consists of fixed part (in the range of 1.5 – 5.15% p.a.) and variable part 6 month EURIBOR.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of LVL 5 598 246 (2009: LVL 5 038 361).

Future leasing payments are following:

Up to 1 year	840,226
From 2 up to 5 year	3,235,217
Longer than 5 years	689,757
Kopā	**4,765,200**

21. Loans (current/ non-current)

	31.12.2010 LVL	31.12.2010 EUR	31.12.2009 LVL	31.12.2009 EUR
Loan from J. Savickis current part	152 038	216 331	600 000	853 723
Loan from J. Savickis non-current part	-	-	152 038	216 331
Total	**152 038**	**216 331**	**752 038**	**1 070 054**

On 15 December 2008 a loan agreement with Juris Savickis was signed for a total amount of EUR 1 600 000 (according to the Bank of Latvia exchange rate as of 31.12.2008 - LVL 1 124 486). Interest rate is 6% p.a. Maturity of the agreement is 15 December 2011. The loan is not secured. Balance as of 31 December 2010 is 216 331 EUR.

On 18 July 2008 Company has signed credit line agreement with AS Citadeles banka (former- AS Parex bank) with available limit of EUR 569 148 (LVL 400 000). In 2010 maturity was prorogated up to 31 October 2011. Interest rate for credit line is composed of fixed rate 1,9% plus variable rate of 6M EUR LIIBOR rate.
As of 31 December 2010 and 2009 Company has not used credit line.

22. Taxes and social security payments

Type of tax	Balance as at 31.12.2009		Charge for year 2010		Transferred		Paid in 2010		Balance as at 31.12.2010	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Corporate income tax	(110 197)	(156 796)	-	-	103 609	147 422	-	-	(6 588)	(9 374)
Value added tax	(78 532)	(111 741)	(665 031)	(946 254)	648 272	922 408	-	-	(95 291)	(135 587)
Social tax	36 073	51 327	865 731	1 231 824	(552 801)	(786 565)	(362 080)	(515 193)	(13 077)	(18 607)
Personal income tax	49 277	70 114	583 054	829 611	(199 080)	(283 265)	(348 570)	(495 970)	84 681	120 490
Real estate tax	-	-	20 889	29 722	-	-	(20 889)	(29 722)	-	-
National resources tax	43	61	262	373	-	-	(178)	(253)	127	181
Risk duty	92	131	1 101	1 566	-	-	(1 109)	(1 578)	84	119
Total:	**(103 244)**	**(146 904)**	**806 006**	**1 146 843**	**-**	**-**	**(732 826)**	**(1 042 717)**	**(30 064)**	**(42 778)**
Including:										
Overpaid	*(188 729)*	*(268 537)*							*(114 956)*	*(163 568)*
Liabilities	*85 485*	*121 634*							*84 892*	*120 790*

Tax overpayments are included in the balance sheet item Other receivables (Note 15).

23. Other payables

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Salaries	146 403	208 313	153 841	218 896
Due to employees	303	431	3 445	4 902
Total	**146 706**	**208 744**	**157 286**	**223 798**

24. Corporate income tax

a) Current year tax expenses

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Current year Corporate income tax	-	-	-	-
Deferred tax expenses	35 439	50 425	61 333	87 269
Total	**35 439**	**50 425**	**61 333**	**87 269**

b) Deferred tax movement

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Deferred income tax liabilities at the beginning of the reporting year	220 387	313 583	159 054	226 313
Increase in deferred tax liabilities	35 439	50 425	61 333	87 269
Deferred tax liabilities at the end of the reporting year	**255 826**	**364 008**	**220 387**	**313 582**

c) Deferred tax calculation

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

	31.12.2010 LVL		31.12.2010 Tax effect 15%		31.12.2009 LVL		31.12.2009 Tax effect 15%	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Gross deferred tax liability:	**(3 649 249)**	**(5 192 414)**	**(547 387)**	**(778 862)**	**(3 206 963)**	**(4 563 097)**	**(481 044)**	**(684 464)**
Temporary difference on fixed assets depreciation	(3 649 249)	(5 192 414)	(547 387)	(778 862)	(3 206 963)	(4 563 097)	(481 044)	(684 464)
Gross deferred tax asset:	**1 943 739**	**2 765 691**	**291 561**	**414 854**	**1 737 716**	**2 472 547**	**260 657**	**370 882**
Tax losses carried forward	1 903 158	2 707 950	285 474	406 193	1 734 471	2 467 930	260 171	370 190
Provisions for stock	36 848	52 430	5 527	7 864	-	-	-	-
Temporary difference on provisions for unused vacations	3 733	5 312	560	797	3 245	4 617	486	692
Total	**(1 705 510)**	**(2 426 722)**	**(255 826)**	**(364 008)**	**(1 469 247)**	**(2 090 550)**	**(220 387)**	**(313 582)**

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

	2010	
	LVL	EUR
Profit before tax	249 072	354 398
Real estate tax	(20 889)	(29 723)
Profit before corporate income tax	**228 183**	**324 675**
Theoretically calculated corporate income tax (15%)	(34 227)	(48 700)
Permanent differences (15%):		
Expenses not deductible for tax purposes	(2 056)	(2 925)
Other	845	1 202
Actual corporate income tax expense for the reporting year	**(35 439)**	**(50 425)**

	2009	
	LVL	**EUR**
Profit before tax	355 361	505 633
Real estate tax	(19 817)	(28 197)
Profit before corporate income tax	**335 544**	**477 436**
Theoretically calculated corporate income tax (15%)	(50 332)	(71 616)
Permanent differences (15%):		
Expenses not deductible for tax purposes	(8 833)	(12 568)
Other	(2 168)	(3 085)
Actual corporate income tax expense for the reporting year	**(61 333)**	**(87 269)**

As at 31 December 2010 total tax losses amount to 1 903 158 LVL (2009: 1 734 471 LVL). These tax losses have aroused in 2008 and 2010 and can be carried forward for 8 years from the year of origination.
As of 31 December 2010 tax losses have been recognized to the extent they can be used to offset the reversal of existing taxable temporary differences.

25. Number of persons employed by the company

	2010	**2009**
Average number of employees during the reporting year	357	369

26. Personnel costs

Type of costs	**2010**		**2009**	
	LVL	**EUR**	**LVL**	**EUR**
Salaries	2 429 600	3 457 009	2 579 926	3 670 904
Social security payments	572 918	815 189	596 831	849 214
Total	**3 002 518**	**4 272 198**	**3 176 757**	**4 520 118**

27. Management remuneration

Type of costs	**2010**		**2009**	
Council members' remuneration	**LVL**	**EUR**	**LVL**	**EUR**
- Salary expenses	81 600	116 106	58 600	83 380
- Social security payments	17 407	24 768	12 993	18 488
Board members' remuneration				
- Salary expenses	34 800	49 516	32 930	46 855
- Social security payments	7 578	10 783	7 482	10 646
Management remuneration				
- Salary expenses	142 614	202 921	82 799	117 812
- Social security payments	28 022	39 872	31 221	44 424
Total	**312 021**	**443 966**	**226 025**	**321 605**

28. Contingent liabilities

The Company has signed a rent agreement for land with maturity 31 December 2021. Annual rent payments are as following:

Year	**LVL**	**EUR**
2011	36 000	51 223
Till 2016	180 000	256 117
From 2017 till 2021	180 000	256 117
Total	**396 000**	**563 457**

29. Transactions with related parties

2010:

	Creditors		Debtors		Income		Expense	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
J. Savickis	152 038	216 331	-	-	-	-	73 149	104 082
Total	**152 038**	**216 331**	**-**	**-**	**-**	**-**	**73 149***	**104 082**

2009:

	Creditors		Debtors		Income		Expense	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
J. Savickis	752 038	1 070 054	-	-	-	-	97 511	138 746
Total	**752 038**	**1 070 054**	**-**	**-**	**-**	**-**	**97 511***	**138 746**

***Type of costs**	**2010**		**2009**	
	LVL	**EUR**	**LVL**	**EUR**
Land rent	36 000	51 223	36 000	51 223
% expense	37 149	52 858	61 511	87 523
Total	**73 149**	**104 082**	**97 511**	**138 746**

There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2010 and 2009, the Company has not recognized any provision for doubtful debts relating to amounts owed by related parties.

30. Legal proceedings

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

The Concession Contract on route network 'Centrs 1' has not been signed due to the fact the tender results were challenged in the court pursuant to law. As of the date of approving these financial statements, the Company is involved in the status of the third party in court cases related to following route networks 'Austrumi', 'Dienvidaustrumi', and 'Dienvidrietumi' and 'Centrs1'.

31. Financial risks management

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

Interest rate risk
The Company has non-current finance lease with variable EURIBOR interest rate. Therefore it is exposed to any changes in interest rates. The Company does not use any derivates for hedging.

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

Currency risk
The Company`s assets and liabilities that are exposed to currency risk are cash, payables, loans and current and non-current leasing liabilities. Foreign currency risk mainly arises from EUR currency. The Bank of Latvia has stated a fixed currency exchange rate for LVL against EUR, i.e. 0.702804. Bank of Latvia ensures that the market rate does not differ from the official rate by more than 1%. Therefore, the Company’s profit or loss due to fluctuations of the euro exchange rate is not material as far as the Bank of Latvia maintains the above mentioned fixed rate.

32. Events after balance sheet date

In 2011 Company received notification from State Ltd.“Autotransporta direkcija” on possible reduction of subsidies for regional intercity routes. In case of subsidy decrease the Company will be imposed to decrease expenses to fulfill the requirements stated in Concession agreement.

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

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of the AS Nordeka

Translation from Latvian

Report on the financial statements

We have audited the accompanying financial statements (pages 7 to 26) of AS Nordeka, which comprise the Company's balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and statement of cash flows 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 Latvian law "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 about 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 financial statements give a true and fair view of the financial position of AS Nordeka as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the Latvian law "On Annual Reports".

Report on Other Legal and Regulatory Requirements

Our responsibility is to read the information contained in the management report on page 4 and 5 for the year ended 31 December 2010 and to verify its correspondence with the information presented in the financial statements. Management is responsible for the preparation of the management report in accordance with the Law "On Annual Reports". Our work regarding the management report was limited and we have not reviewed any other information except the information included in the financial statements. In our opinion, this information in the management report is consistent with the historical financial information presented in the financial statements for the year ended 31 December 2010.

Deloitte Audits Latvia SIA
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Hendrik Kramer
Authorised representative

Inguna Staša
Sworn auditor
Certificate Nr. 145

Riga, Latvia
22 March 2011

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