SJSC "LATVIJAS GAISA SATIKSME"

ANNUAL REPORT FOR THE YEAR 2013 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Translation of the Latvian original)

NAME OF COMPANY	SJSC "LATVIJAS GAISA SATIKSME"
LEGAL STATUS	State Joint Stock Company
REGISTRATION NUMBER., PLACE AND DATE	Company Register Nr.40003038621, Riga, 21 October 1991 Commercial Register, Riga, 11 October 2004
ADDRESS (LEGAL AND MAIL)	KDP building, International airport "Riga", Marupe district, LV-1053, Latvia
PRIMARY BUSINESS TYPE	Airspace use and air traffic management of the Republic of Latvia
NAMES AND ADDRESS OF SHAREHOLDERS AND NUMBER OF SHARES AS %	Ministry of Transport of the Republic of Latvia 3 Gogola street, Riga, LV-1743
REPORTING YEAR	01.01.2013 – 31.12.2013
FINANCIAL STATEMENT USERS CURRENCY	LVL
CERTIFIED AUDITOR	Commandite "S. Vilcanes audits" Licence Nr.88 Certified Auditor of the Latvian Republic Sandra Vilcane Certificate No. 30

Name	Position
From December 1, 2011 till June 15, 2012	
Chairman of the Board	Davids Taurins
Member of the Board	Gints Freimanis
Member of the Board	Artis Birkmanis
Member of the Board	Elmars Svede
Member of the Board	Baiba Broka
From June 16, 2012 till till the financial statements signing day	
Chairman of the Board	Davids Taurins
Member of the Board	Gints Freimanis
Member of the Board	Ilze Aleksandrovica
Member of the Board	Elmars Svede
Member of the Board	Baiba Broka
From January 28, 2014 till the financial statements signing day	
Chairman of the Board	Davids Taurins
Member of the Board	Gints Freimanis
Member of the Board	Ilze Aleksandrovica
Member of the Board	Elmars Svede

Business

The core business activity of SJSC "Latvijas gaisa satiksme" (further referred to as LGS) is provision of air navigation services to all airspace users within the Riga Flight Information Region (FIR).

Management Structure

The Ministry of Transport of the Republic of Latvia is the sole shareholder of LGS. The company is managed by the Board acting in accordance with the legal acts, Articles of Association and decisions of the Shareholder. The Board organises LGS activities according to the EU and national law, international standards, recommendations and documents of the International Civil Aviation Organisation (ICAO).

During the reporting period, composition of the Board remained unchanged, with Dāvids Tauriņš as Chairman and four Board members – Baiba Broka, Elmārs Švēde, Gints Freimanis and Ilze Aleksandroviča.

The structure of LGS remained fixed as well, consisting of five departments:

- Air Traffic Management
- Technical Department
- Administrative Department
- Development Department
- Quality Assurance Department

The main areas of the Company activities during the reporting period

Best practice

close cooperation with the airport and the national airline airBaltic, being an important driver towards improved service to the customers.

International cooperation

Business development areas are another focus of NEFAB partners to ensure more benefits through common activities.

LGS is a member of Borealis, a commercial alliance set up by air navigation service providers of Denmark, Estonia, Finland, Iceland, Ireland, Latvia, Norway, Sweden and the United Kingdom in 2012. Borealis is a framework to establish joint activities in areas of common commercial interest once they are recognised beneficial. In 2013, LGS participated in the Joint Datalink Procurement and Implementation Project, to explore the opportunities of joint implementation of controller – pilot datalink communication services, due by February 2015 in the core Europe.

Latvia is a long standing member of the European Civil Aviation Conference (ECAC) and since 2011, a member of the European Organisation for the Safety of Air Navigation (Eurocontrol), requiring active contribution from LGS as well. LGS is also a member of the Civil Air Navigation Services Organisation (CANSO), a global voice for over 85% of world air traffic.

Technical modernisation as an on-going process

Several significant technical projects were implemented during the reporting period.

Modernization of the ATM System (ATRACC) allowed for implementation of new functions and enhancement of the existing functionality.

Modernisation of Voice Communication and Management system responsible for ensuring operative access for air traffic controllers to communication channels "ground-ground" and "air-ground" was also launched. With this major overhaul complete, LGS will have in 2014 an extended, modern and sustainable system.

Upgrade of the central part of the Advanced Surface Movement Guidance and Control System (A-SMGCS) was also launched. The system provides routing, guidance and surveillance for the control of aircraft and vehicles in order to maintain the declared surface movement rate under all weather conditions on the aerodrome while maintaining the required level of safety. The project aims at supply of new hardware and software using the most recent technology to enhance the operational functionalities of the system and maintain a high level of safety.

Modernisation of ANOF (AFTN/NOTAM/OPMET/FPMS) system was completed in 2013. The process was launched in 2011 by upgrading the Aeronautical Fixed Telecommunication Network (AFTN) to the AFTN/AMHS functionality, allowing transition to AMHS, followed by advanced AMHS upgrade in 2012.

The system was finally expanded in 2013 by adding Aeronautical & Met Informer module, making aeronautical and meteo data available to a greater number of users. The system exchanges vital information for aircraft operations such as distress messages, urgency messages, flight safety messages, meteorological messages, flight regularity messages and aeronautical administrative messages.

In 2013, a project was launched to replace the ATIS/VOLMET/D-ATIS/D-VOLMET system, procured in 2005 and not supported by the system's supplier anymore. The system provides continuous broadcast of recorded aeronautical information in terminal area and meteorological information for aircraft in flight. The new system will be interconnected with other LGS systems and will provide for a wide number of services. It will also be extendible allowing LGS respond flexibly to the needs of regional airports and LGS regional units whenever necessary.

IDSG

The ANSPs coordination within the Interim Deployment Steering Group (IDSG) has been set up to help guide the implementation activities of SESAR – the Single European Sky ATM Research Programme – and help manage the transition from development to deployment.

ANSPs coordination within IDSG will help to prioritize projects for deployment and provide valuable information to the European Commission and Single Sky Committee, ensuring a synchronized and consistent supply of information from ANSPs. ANSP coordination within IDSG is co-funded by TEN-T. The intention is that the IDSG will hand over it remit as and when a Deployment Manager is established.

AMBER project

LGS has always been well aware of the environmental impact and therefore has been actively participating in introduction of more efficient and greener satellite navigation based approaches in Riga. The procedures aiming to reduce the amount of emissions, fuel consumption and to increase efficiency were jointly developed by the consortia partners - airBaltic, Quovadis and LGS within the AMBER project (Arrival Modernisation for Better Efficiency in Riga). The first ever satellite guided (RNP) approach in Latvia was successfully completed in August 2013 by airBaltic. It was completed during a special demonstration/test flight organized as part of the AMBER project. The objective of AMBER is to ensure first green flights with propeller jets in Europe, through new arrival procedures allowing shorten flight routes and improve flight paths. In addition to diverting the traffic from above densely populated areas thus decreasing the impact of noise on the population, it will also allow reduce fuel consumption and emissions.

CDM

LGS together with the national airline, airBaltic and Riga International Airport launched the project on implementation of the Airport Collaborative Decision Making (CDM). Airport CDM is about enhancing more efficient and transparent cooperation between airport operators, aircraft operators/ground handlers and air traffic control. Implementation of Airport CDM will enable improved decisions based on more accurate and timely information and the same operational picture for all involved parties. It will allow Airport CDM parties optimize their decisions in collaboration with each other being well aware of their preferences and constraints.

PBN

LGS has been moving forward to the implementation of the concept of performance-based navigation (PBN). PBN represents a shift from sensor-based navigation and offers a number of advantages to the airspace users, allowing for more efficient use of the airspace (route setting, fuel efficiency and noise mitigation). In the reporting period the contract was signed for modernisation of the airspace and procedure design, obstacle assessment and cartography systems, being the first step towards implementation of PBN in Riga FIR. As a result, an electronic GIS/AIXM environment will be created and AIM data base will be set up to enable a mechanism for the exchange of PBN information through the AICM/AIXM 5.1.

Further steps are planned in the next period to enable a complete redesign of the airspace, the existing structure of which has remained intact for many years. New and modern airspace structure will allow for a better performance in terms of accuracy, integrity, availability and continuity, resulting in more benefits for Riga FIR users.

Further development

LGS will focus on the goals set out in the Performance Plan to improve performance in all key areas: safety, capacity, cost-efficiency and environment. The year 2014 is the concluding year of the first Reference Period. The second Reference Period starting in 2015 will demand for closer cooperation with the FAB partners in order to seek for synergies and improve performance FAB-wide. NEFAB Free Route Airspace is planned to become operational as of November 2015, and local implementation plans will be an important step to make this come true.

Circumstances and events after the balance sheet date

In the time period between the reporting year end date and the date the financial statements are signed by the Board, there have been no significant or extraordinary events that could influence on annual results and Company's financial situation.

Proposal of profit distribution

In accordance with the Law "On the annual report", distribution of the Company's profit shall be determined after approval of these financial statements.

Signed:

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

Marupe region, May 15, 2014

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted the EU. 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 9 to page 28 and decisions and assessments were made with proper discretion and prudence. the accounting policies applied have been consistent with the previous period. the management confirms that the financial statements have been prepared on going concern basis.

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

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

15 May, 2014

SJSC "LATVIJAS GAISA SATIKSME"
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012

	2013	2012 (corrected)	Notes
	LVL	LVL	
Net sales	17,022,906	17,017,617	2
Investment income	437	12,579	3
Other gains and losses	53,636	633,450	4
Employee benefits expense	(9,314,394)	(9,095,074)	5
Depreciation and amortization expenses	(3,280,375)	(3,449,652)	6
Other expenses	(4,113,336)	(4,369,201)	7
Other losses	(49,033)	(116,564)	8
Operating profit	**319,841**	**633,155**	
Finance income	3,611	6,226	9
Finance income	(11,018)	(39,633)	10
Profit before tax	**312,434**	**599,748**	
Income tax expense	(90,879)	37,005	11
Profit for the year	**221,555**	**636,753**	
Total comprehensive income for the year	**221,555**	**636,753**	
Number of shares	16,000,000	16,000,000	
Earnings per share (in santims)	**0.01**	**0.04**	

The notes on pages 14 to 28 forms an integral part to this financial statements.

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

15 May, 2014

SJSC "LATVIJAS GAISA SATIKSME"
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013 AND 31 DECEMBER 2012

	December 31, 2013	December 31, 2012 (corrected)	Notes
ASSETS	**LVL**	**LVL**	
Non-current assets:			
Intangible assets			
Concessions, patents, licenses	-	-	12
Total Intangible assets:	-	-	
Fixed assets			
Property, plant and equipment	15,074,241	15,234,956	13
Other investments	6,329	8,438	14
Total Fixed assets:	**15,080,570**	**15,243,394**	
Total non-current assets:	**15,080,570**	**15,243,394**	
Current assets			
Inventories	47,722	50,298	15
Trade and other receivables	3,489,198	2,994,338	16
Accrued income	-	8,507	
Cash and cash equivalents	2,760,519	3,313,418	17
Total current assets:	**6,297,439**	**6,366,561**	
Total assets	**21,378,009**	**21,609,955**	

The notes on pages 14 to 28 forms an integral part to this financial statements.

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

15 May, 2014

SJSC "LATVIJAS GAISA SATIKSME"
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013 AND 31 DECEMBER 2012

EQUITY AND LIABILITIES	December 31, 2013 LVL	December 31, 2012 (corrected) LVL	Notes
Equity			
Share capital	16,000,000	16,000,000	18
Other reserves	2,262,505	2,262,505	
Retained earnings	994,263	772,708	
Total equity:	19,256,768	19,035,213	
Liabilities:			
Non-current liabilities			
Deferred income tax liabilities	274,466	183,587	11
Other non-current liabilities	-	5,872	20
Total non-current liabilities:	274,466	189,459	
Current liabilities			
Borrowings	140,561	773,084	19
Trade and other payables	1,703,167	1,611,235	21
Deferred revenue	3,047	964	
Total current liabilities:	1,846,775	2,385,283	
Total liabilities:	2,121,241	2,574,742	
Total equity and liabilities:	**21,378,009**	**21,609,955**	
	-	-	

The notes on pages 14 to 28 forms an integral part to this financial statements.

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

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15 May, 2014

SJSC "LATVIJAS GAISA SATIKSME"
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012

	Share Capital	Other Reserves	Retained earnings	Total
At 31 December 2011	**16,000,000**	**2,262,505**	**135,955**	**18,398,460**
Profit for the year	-	-	459,469	459,469
Income tax adjustment for the year 2012	-	-	177,284	177,284
At 31 December 2012	**16,000,000**	**2,262,505**	**772,708**	**19,035,213**
Profit for the year	-	-	221,555	221,555
At 31 December 2013	**16,000,000**	**2,262,505**	**994,263**	**19,256,768**

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

15 May, 2014

SJSC "LATVIJAS GAISA SATIKSME"
CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012

	2013	2012	NOTES
	LVL	LVL	
Cash flow from operating activities			
From customers and subscribers to the money received	16,953,632	17,739,407	
Suppliers and employees paid in cash	(9,521,427)	(9,490,352)	
Taxes paid and social security charges	(3,717,196)	(3,647,930)	
Corporate income tax expenses	(267,042)	(184,198)	
Interest paid	(11,569)	(41,078)	
Net cash flow from operating activities	**3,436,398**	**4,375,849**	
Cash flow from investing activities			
Fixed assets and intangible assets	(3,360,619)	(3,023,179)	
Proceeds from sale of fixed assets	735	3,857	
Interest received	3,163	18,699	
Net cash used in investing activities	**(3,356,721)**	**(3,000,623)**	
Cash flow from financing activities			
Long-term debt repayments	(632,524)	(843,365)	19
Net cash outflow from financing activities	**(632,524)**	**(843,365)**	
Foreign exchange rate fluctuations	(52)	41	9, 10
Net cash and cash equivalents increase (decrease)	**(552,899)**	**531,902**	
Cash and cash equivalents at the beginning	**3,313,418**	**2,781,516**	
Cash and cash equivalents at end of year	**2,760,519**	**3,313,418**	
	-	-	

The notes on pages 14 to 28 forms an integral part to this financial statements.

Davids Taurins, Chairman of the Board

Gints Freimanis, Board member

Ilze Aleksandrovica, Board member

Elmars Svede, Board member

15 May, 2014

I. GENERAL INFORMATION

SJSC "Latvijas gaisa satiksme" (hereinafter "the Company" or "LGS") was registered in Commercial Register of the Republic of Latvia in Riga on 21 October 1991 with the registration No. 40003038621. The legal address of the Company is KDP Building, International airport "Rīga", Marupes parish, Riga region, LV-1053, Latvia. The Company's primary activities are organisation of airspace use and air traffic of the Republic of Latvia.

II. ACCOUNTING POLICIES

1.Basis of preparation

The Financial Statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) as adopted by the EU. All International Financial Reporting Standards issued by the International Accounting Standards Board, which are applicable for the period covered by these Financial Statements, are approved for use in the European Union pursuant to the procedure of approval (endorsement) stated by the European Commission. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgements applying the accounting policies adopted by the Company.

a) Standards, amendments and interpretations effective in the current year:

Amendment to IAS 1: Presentation of Items of Other Comprehensive Income. This Amendment requires profit or loss and OCI to be presented together as a single statement or a separate 'statement of profit or loss' and a 'statement of ther comprehensive income'.

Amendments to IFRS 7: Financial Instruments: Disclosures. This Amendment requires information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

IFRS 13: Fair Value Measuremen. This standard replaced the guidance on fair value measurement in the existing IFRS with a single standard.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - unobservable inputs for the asset or liability.

b) Standards, amendments and interpretations effective from 1 January 2013, but not relevant for operations of the Company:

standards on consolidation (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28), Amendment to IFRS 1 – Government Loans and IAS 19;

2. Foreign currencies

a) Functional and presentation currency

Items are recognized in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in Latvian lat (LVL), which is the Company's functional and presentation currency.

b) Transactions and balances

All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 recognised in the income statement for the period.
Exchange rates used at the balance sheet date are as follows:

	December 31, 2013	December 31, 2012
	LVL	LVL
1 USD	0.5150	0.5310
1 EUR	0.702804	0.702804
1 GBP	0.8430	0.8570

3. Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

4. Income recognition

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

Income mainly comprises of air navigation services charges which are calculated in accordance with the Cabinet of Ministers of Republic of Latvia Regulation No.28 dated January 3, 2012 Procedures for the Determination and Collection of the Charges for the Air Navigation Services Provided by the State Stock Company "Latvian Air Traffic". Charge on en-route air navigation services is directly proportional to the weight of aircraft and the distance flown, while charge on terminal air navigation services is directly proportional to the weight of aircraft.

Income is recognized according to the following principles:
Rendering of services - income is recognized in the period when services are rendered;
Interest income - income is recognized based on an accrual basis considering actual profitability;
Lease revenue - is described in the accounting policy "Operating leases – the Company as a lessor".

5. Intangible assets

Intangible assets, in general, consist of licences and patents. Intangible assets are recognized at cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licences	5

Where the carrying amount of an intangible asset exceeds its recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the highest of the fair value of the relevant intangible asset less cost to sell or value in use.

6. Property, plant and equipment

Property, plant and equipment are recognized at historical cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment.

Where the carrying amount of property, plant and equipment exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and the value in use of the related property, plant and equipment asset. The decrease is reflected as the expenses.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. Capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the income statement. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Increase in value arising on revaluation is shown in equity under "Revaluation reserve", but decrease that offsets a previous increase of the same asset' s value (net of deferred tax) recognised in the said reserve is charged against that reserve; any further decrease is charged to the income statement for the year.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

	Years
Buildings	10-20
Technological equipment	7-8
Other machinery and equipment	3-5

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each statement of finalcial position date.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalised during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the income statement for the relevant period.

7. Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realisable value.

8. Financial assets

The Company classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management of the Company determines the classification of its financial assets at initial recognition.

The purchase and sale of available-for-sale financial assets is recognised on a trade-date - the date on which the Company commits to purchase or to sell financial assets. Loans and receivables are recognised, when cash is advanced to the borrower. The financial assets are derecognised, when the rights to receive cash flows from financial assets have expired or the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are initially recognised at fair value, including all transaction expenses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables.

a) Available-for-sale financial asset

Available-for-sale financial assets are non-derivative financial instruments, which have been designated in this category by the management or which are not classified in any other category. Available-for-sale financial assets are included in non-current assets, unless the management intends to dispose of the investment within 12 months of the balance sheet date.

Changes in the fair value of monetary and non-monetary assets classified as available-for-sale financial assets are recognised in the equity. Fair value of quoted investment securities is based on their market price. When available-for-sale financial assets are sold or impaired, the accumulated fair value gains or losses recognized in equity are included in the statement of comprehensive income. Interest income from available-for-sale securities is calculated, using the effective interest rate method, and is recognised in the income statement. The Company evaluates at each balance sheet date whether there is an objective evidence that a financial asset is impaired - both for individual assets and for each category if the assets are individually insignificant. If any such evidence exists, the loss from impairment of financial asset is recognised in the statement of comprehensive income.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for those, which the Company has determined to sell immediately or in the nearest future, and investments, which are classified as available-for-sale financial assets.

Loans and receivables mainly consist of trade receivables and other receivables and term deposits. Term deposits with credit institutions are assets, which may be withdrawn after a definite term. Deposits with no such term limitations or where the maturity does not exceed 24 hours or one working day, even if they are interest bearing, are accounted as demand deposits.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

9. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the balance of current bank accounts and current deposits with maturities up to 3 month.

10. Operating leases

a) The Company as a lessee

Lease in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments and prepayments made under operating leases (net of any financial incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

b) The Company as a lessor

Assets, which are leased out under operating lease terms, are recorded within property, plant and equipment at historic cost less depreciation. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life using rates set for similar Company's assets. Rental income from operating lease including advances received is recognised on a straight-line basis over the period of the lease.

11. Payments for the use of state capital

Dividends paid to the state are recognised in the financial statements as liabilities in the period in which the state capital holder (the Ministry of Transport of Latvian Republic) approves the dividends.

12. Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their values for tax calculation purposes. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences even out. The temporary differences arise from different fixed asset depreciation rates, from accruals and provision, 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 included in the financial statements only if a taxable profit will be available against which the temporary differences composing the deferred tax assets could be applied.

13. Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

14. Provisions

Provisions are recognized, when there is a present obligation as a result of current or previous years events, it is probable that an outflow or resources will be required, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

15. 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.

16. Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15 % tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different fixed assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

17. Earnings per share

Earnings per share are determined dividing the net gains or losses attributable to shareholders of the Company by the average weighted quantity of the shares in the reporting year.

18. Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board, their close relatives and companies, in which they have a significant influence or control.

19. Critical accounting estimates and judgements

When preparing financial statements in accordance with IFRS, material estimates and assumptions must be made. Moreover, when preparing financial statements management must make assumptions and estimates by adapting Company's accounting policy.

Preparation of financial statements in accordance with IFRS means using estimates and assumptions that affect the value of assets and liabilities presented in financial statements, information disclosed in notes to financial statements as at date of financial statements as well as income and expenses. Actual results may differ from the estimates. Items such as estimates when deciding on useful lives of fixed assets, determining recoverable values of receivables and inventories, as well as fixed assets impairment test as described in relevant notes can affect the financial statements the most.

1. Segment information

a. Operation and reportable segment

Basic activity of the Company is provision of air navigation services to all users of air space within Riga Flight Information Region. Rental and other services income are immaterial and included in "Revenue".

b. Geographical markets

The Company is operating in territory of the Republic of Latvia when rendering air navigation services to flights en-route, to and from airports as well as airport traffic management services. Rental and other income of the Company originate in the territory of Republic of Latvia.

2. Revenue	**2013 LVL**	**2012 LVL**
Revenues from air navigation services in relation to transit flights and routes to the airports	14,841,539	14,836,333
Revenues from air navigation services in airport control zones	2,016,992	1,980,000
Total revenues from air navigation	*16,858,531*	*16,816,333*
Revenue from rental service	70,650	88,487
Revenue from fixed assets rental service	46,344	63,086
Revenue from other services	47,381	49,711
	17,022,906	17,017,617

3. Investment income	**2013 LVL**	**2012 LVL**
Interest income on deposits	437	12,579
	437	12,579

4. Other gains and losses	**2013**	**2012**
Receipt of bad debts	**LVL**	**LVL**
Receipt of insurance and reimbursement of expenses	18,598	-
Receipt of surcharge and penalties	12,354	128,397
Receipt of bad debts	9,777	493,369
Receipt of EU funds income	6,029	-
VAT paid back from EU	5,432	6,251
Gain from fixed assets desposal	735	3,163
Other operating income	711	2,270
	53,636	633,450

5. Employee benefits expense	**2013 LVL**	**2012 LVL**
Salaries	6,659,289	6,669,190
Social security contributions	1,683,309	1,652,175
Accrued unused annual leave	355,310	338,377
Employees' health insurance expenses	158,457	122,948
Provisions for performance bonuses of the Board	14,201	601
Accrued personal expenses	11,063	7,992
Other personnel expanses	432,765	303,791
	9,314,394	9,095,074
including Board members		
salaries and bonuses	157,563	145,494
social security contributions	37,957	35,050
	195,520	180,544
Average number of employees during the reporting year	**368**	**362**

6. Depreciation and amortisation	**2013 LVL**	**2012 LVL**
Depreciation of technical equipment	2,456,442	2,607,612
Depreciation of other property, plant and equipment	313,229	327,231
Depreciation of buildings	255,993	257,455
Long term leasehold improvements	254,711	257,354
	3,280,375	3,449,652

7. Other operating expenses	**2013 LVL**	**2012 LVL**
Entry Fee EUROCONTROL	754,937	725,458
Payments to CAA	697,948	886,000
Technical services, repair works and maintenance	679,033	641,504
Business trip expenses	367,910	370,973
Electricity payments	240,200	226,695
Training expenses	222,726	371,679
Insurance	210,207	227,405
Communication expenses	163,803	144,387
Payments to the Accidents investigation bureau	109,440	106,090
Transport expenses	75,797	90,418
Rent of premises	67,441	66,299
Rent of land plot	60,895	61,485
Premises maintenance expenses	53,516	45,483
Expenses not directly related to the operating activities	50,986	51,242
Marketing and representation expenses	47,720	60,720
Legal and other professional services expenses	47,110	38,304
Provisions for doubtful debts	21,859	30,606
Spare parts, materials	20,151	16,642
Real estate tax on land	18,405	11,107
Post and stationery expenses	10,463	13,451
Real estate tax on buildings and constructions	9,274	18,417
Bank fees	4,354	4,616
Audit fee	3,865	6,649
Administrative cost adjustment EUROCONTROL	-	242
Other expenses	175,296	153,329
	4,113,336	4,369,201

8. Other gains/(losses), net	**2013 LVL**	**2012 LVL**
Net loss on forex and currency exchange rate	(49,033)	(116,564)
	(49,033)	(116,564)

9. Finance income	**2013 LVL**	**2012 LVL**
Interest income on current bank accounts	3,611	6,185
Net profit on foreign exchange related to cash and cash equivalents	-	41
Net profit on foreign exchange related to cash and cash equivalents	3,611	6,226

10. Finance expenses	**2013 LVL**	**2012 LVL**
Interest expenses paid to credit institutions	10,966	39,633
Net losses on foreign exchange related to cash and cash equivalents	52	-
	11,018	39,633

11. Corporate income tax

a. Components of corporate income tax	**2013 LVL**	**2012 LVL**
Corporate income tax for the year	-	203,309
Corporate income tax adjustment for the year 2012	-	(177,284)
Changes in deferred income tax	90,879	(63,030)
	90,879	(37,005)

b. Reconciliation of accounting profit to income tax charges

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:

	2013 LVL	**2012 LVL**
Profit before taxes	312,434	599,748
Theoretically calculated tax at 15% tax rate	**46,865**	**89,962**
Tax effect on:		
Tax losses carried forward for tax purposes	11,481	-
Non-deductible expenses for tax purposes	12,201	19,432
Corporate income tax adjustment for the year 2012	-	(177,284)
Changes in unrecognized deferred tax asset	20,332	30,855
Total tax charge	**90,879**	**(37,035)**

c. Movement and components of deferred tax	**2013 LVL**	**2012 LVL**
Deferred tax liabilities (asset) at the beginning of the financial year	183,587	246,617
Deferred tax charged to the income statement	90,879	(63,030)
Deferred tax liabilities (asset) at the end of the financial year	**274,466**	**183,587**

11. Corporate income tax (continued)

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):

	2013 LVL	**2012 LVL**
Temporary difference on depreciation of fixed and intangible assets	532,664	446,472
Gross deferred tax liabilities	**532,664**	**446,472**
Temporary difference on accruals for annual leave	(59,923)	(65,484)
Temporary difference on provision for doubtful receivables	(198,275)	(197,401)
Gross deferred tax assets	**(258,198)**	**(262,885)**
Net deferred tax liabilities (assets)	**274,466**	**183,587**

The Company offsets the deferred tax assets and the deferred tax liabilities only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax is related to the same taxation authority. The offset amounts are as follows:

	2013 LVL	2012 LVL
Deferred tax assets:		
deferred tax asset to be recovered after more than a year	(198,275)	(197,401)
deferred tax asset to be recovered within a year	(59,923)	(65,484)
	(258,198)	**(262,885)**
Deferred tax liabilities:		
deferred tax liabilities to be recovered within a year	532,664	446,472
	532,664	**446,472**
Net deferred tax liabilities (assets)	**274,466**	**183,587**

Income tax adjustment for the year 2012

In accordance with the Law of June 6, 2013 „Amendments of Law on Enterprise Income Tax" effective as of July 5, 2013, paragraphs 6 and 9 of the „Law on Enterprise Income Tax", the part 2 of the paragraph 9 was set down in a new version and transitional provisions were supplemented with the paragraph 109 stating the amendment of the paragraph 9 is valid as of the taxation period starting in 2012.

According to the changes in legislation, the correction of the enterprise income tax declaration for 2012 was submitted to SRS decreasing the taxable income of 2012 for 1 181 891 LVL, the lost financial resources due to insolvency of the bank „Latvijas Krājbanka" at the moment the Riga Regional Court concluded to start a bankruptcy procedure of the stock company "Latvijas Krājbanka", civil case No.C04523311. As a result enterprice income tax for 2012 was corrected and decreased for LVL 177 284, increasing 2012 year profit.

12. Intangible assets

LVL	Concessions, patents, licenses	Total
At 31 December 2011	**88,673**	**88,673**
Disposals	(1,309)	(1,309)
At 31 December 2012	**87,364**	**87,364**
Disposals	(47,155)	(47,155)
At 31 December 2013	**40,209**	**40,209**
Accumulated depreciation		
At 31 December 2011	**(88,673)**	**(88,673)**
Eliminated on disposals of assets	1,309	1,309
At 31 December 2012	**(87,364)**	**(87,364)**
Eliminated on disposals of assets	47,155	47,155
At 31 December 2013	**(40,209)**	**(40,209)**
Carrying amounts		
At 31 December 2011	-	-
At 31 December 2012	-	-
At 31 December 2013	-	-

13. Property, plant and equipment

LVL	Land and buildings	Leasehold improvements	Equipment and machinery	Other fixed assets	PPE under construction	Advances for PPE	Total
Historical cost							
At 31 December 2011	**6,435,725**	**2,081,956**	**32,450,691**	**3,248,021**	**502,689**	**1,355,277**	**46,074,359**
Additions	70,170	-	112,183	134,632	1,245,549	1,000,819	2,563,353
Disposals	-	(11,419)	(2,994,863)	(207,301)	(140)	-	(3,213,723)
Reclassified	9,998	14,687	131,933	178,130	1,020,529	(1,355,277)	-
At 31 December 2012	**6,515,893**	**2,085,224**	**29,699,944**	**3,353,482**	**2,768,627**	**1,000,819**	**45,423,989**
Additions	13,241	-	218,446	459,362	2,142,343	290,832	3,124,224
Disposals	-	(164,729)	(6,286,454)	(281,953)	-	-	(6,733,136)
Reclassified	15,747	-	3,295,667	464,149	(2,774,744)	(1,000,819)	-
At 31 December 2013	**6,544,881**	**1,920,495**	**26,927,603**	**3,995,040**	**2,136,226**	**290,832**	**41,815,077**
Accumulated depreciation							
At 31 December 2011	**(4,096,709)**	**(838,834)**	**(22,432,119)**	**(2,581,502)**	**-**	**-**	**(29,949,164)**
Depreciation expense	(257,455)	(257,354)	(2,607,612)	(327,231)	-	-	(3,449,652)
Eliminated on disposals of assets	-	10,797	2,994,534	204,452	-	-	3,209,783
At 31 December 2012	**(4,354,164)**	**(1,085,391)**	**(22,045,197)**	**(2,704,281)**	**-**	**-**	**(30,189,033)**
Depreciation expense	(255,993)	(254,711)	(2,456,442)	(313,229)	-	-	(3,280,375)
Eliminated on disposals of assets	-	164,729	6,282,759	281,084	-	-	6,728,572
At 31 December 2013	**(4,610,157)**	**(1,175,373)**	**(18,218,880)**	**(2,736,426)**	**-**	**-**	**(26,740,836)**
Carrying amounts							
At 31 December 2011	**2,339,016**	**1,243,122**	**10,018,572**	**666,519**	**502,689**	**1,355,277**	**16,125,195**
At 31 December 2012	**2,161,729**	**999,833**	**7,654,747**	**649,201**	**2,768,627**	**1,000,819**	**15,234,956**
At 31 December 2013	**1,934,724**	**745,122**	**8,708,723**	**1,258,614**	**2,136,226**	**290,832**	**15,074,241**

In year 2013 an amount of LVL 6 568 is included in the fixed assets depreciation calculation which is the depreciation of fixed assets that are not used in Company's operating activities (2012: LVL 4 817).

The Company has in its constant use the land, whose registered owner in Land Register is The Ministry of Transport of the Republic of Latvia.

The total area of the land is 24.21 ha (2012: 24.70 ha). The cadastral value of land amounts to LVL 618 223 (2012: LVL 740 854). During the year 2013 the Company has paid real estate tax on land in the amount of LVL 9 274 (2012: 11 113).

As at December 31, 2013 included in the balance sheet are fully depreciated property, plant and equipment with a cost of LVL 10 74 135 (as at December 31, 2012: LVL 10 111 251).

The Company leases out an insignificant part of its premises under the cancellable operating lease terms. The rental income is included in "Revenue" in the income statement.

14. Other investments

	2013	2012
	LVL	LVL
Investments in rental non-current assets	6,329	8,438
	6,329	8,438

Other investments consist of investments in rental non-current assets, which deduct future rent payments.

15. Inventories

	2013	2012
	LVL	LVL
Raw material and consumables	22,993	32,670
Working dress	13,665	7,787
Diesel	11,064	9,841
	47,722	50,298

16. Trade and other receivables

	2013	2012
	LVL	LVL
Trade and other receivables	4,124,790	3,957,371
Provisions for doubtful debts	(1,321,832)	(1,316,009)
Trade receivables, net	*2,802,958*	*2,641,362*
Corporate income tax	383,846	-
Deferred expenses	156,851	122,016
Overpayment of VAT	95,138	64,063
Deferred VAT	45,085	27,954
Prepayments to vendors	633	11,324
Result of income tax adjustment	-	116,804
Other receivables	4,687	10,815
	3,489,198	2,994,338

Provisions for impairment of debtors are accounted under "Other operating expenses" in Income statement.

Provision for doubtful debts are created for 100% on the principal amount.

	2013	2012
	LVL	LVL
Provisions at the beginning of the year	1,316,009	1,834,755
Provisions made during the year	21,859	30,606
Decrease of provisions from repaid receivables	(16,036)	(493,369)
Bad debts written off from provisions	-	(55,983)
	1,321,832	1,316,009

17. Cash and cash equivalents

	2013	2012
	LVL	LVL
Cash at bank on current accounts	2,409,117	3,313,418
Cash at bank deposit accounts	351,402	-
	2,760,519	3,313,418

18. Equity

a. Share capital

As at December 31, 2013 the registered and fully paid share capital is LVL 16 000 000, composed of 16 000 000 ordinary shares with a nominal value of LVL 1 each.

b. Dividends (payments for the use of state capital)

Based on the regulations of the Cabinet of Ministers dated 15 December 2009 No. 1471 "The order of determining and paying into the state budget the distributable profit share"), the Company should pay out dividends in the amount of 90% of the retained net profit for the reporting year. According to the regulation of the Cabinet of Ministers dated 24 july 2013 No. 337 the Company should not pay dividends for the year 2012.

19. Borrowings	2013	2012

	LVL	LVL
Loan from SEB Bank:		
current part	140,561	773,084
	140,561	773,084

The carrying value of borrowings does not materially differ from their fair value.

Movement of loans	**2013**	**2012**
	LVL	**LVL**
At beginning of the year	773,084	1,616,449
Repaid borrowings in the year	(632,523)	(843,365)
At the end of the year	140,561	773,084

The last payment in accordance with the credit agreement with AS "SEB banka" from December 2008 for 5 million EUR, was made in January 2014 and the liabilities are settled.

Loan repayments should be made as follows:	**2013**	**2012**
	LVL	**LVL**
Payments falling due within 1 year	140,561	773,084
Payments falling due in 2-5 year time	-	-
	140,561	773,084

20. Deferred revenue	**2013**	**2012**
	LVL	**LVL**
Received pre-payment of the financial support	-	5,872
	-	5,872

According to the decision of the European Commission on Community financial support to the projects of common interest "Coordination of Air Navigation Service Providers (ANSP) in IDSG Group" - 2011-EU-93055-S in Trans-European transport network (TEN-T) area, received 50 % advance payment from the amount of 16 709.00 EUR foreseen in the decision. During the 2013 the appropriation was partly uptaken and applied to short-term liabilities.

21. Trade and other payables	**2013**	**2012**
	LVL	**LVL**
Payables to vendors	446,922	283,102
Social security contributions and other taxes	445,969	518,803
The result of Corporate income tax adjustments for the year 2012	-	(60,480)
Accrued liabilities	399,486	436,559
Salaries	393,572	399,949
Other payables	17,218	33,302
	1,703,167	1,611,235

22. Transactions with related parties

The Company is a State Joint Stock Company, the sole holder of which shares is the Ministry of Transportation of the Republic of Latvia. The Company has transactions with other companies controlled by State as well as with agencies. Most material transactions are with JSC "Air Baltic Corporation", SJSC "Starptautiskā lidosta Rīga", State SIA "Latvijas Vides, ģeoloģijas un meteoroloģijas aģentūra", SJSC "Latvenergo", SIA "Lattelecom", SIA "Latvijas Mobilais Telefons" and others. The transactions are related to the operating activities of both parties and not considered as related party transactions according to the law "On corporate income tax".

23. Financial commitments

a. Capital commitments

In accordance with the agreements concluded, as on 31.12.2012 the Company has undertaken to fulfill future liabilities for acquire of property, plant and equipment in amount of LVL 2 110 900 (2011: LVL 2 199 800).

As well in connection to the accession into EUROCONTROL, the Company will have additional expenses for technical integration in fields of CRCO and CFMU (full technical integration date is set to be 1 January 2011), payment of membership fee and other related expenses.

For the financing of capital commitments the Company plans to use financial resources that will be generated from operating activities.

b. Operating lease commitments

The Company leases cars in accordance with revocable operating lease agreements. The Company must inform the lessor one month in advance, when the Company plans to revoke the agreements. Lease payments are included in the Income statement under "Other operating expenses".

24. Risk and capital management

The Company's activity is exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position.

a. Market risk

I. Foreign exchange risks

The Company operates internationally and is exposed to foreign currency risk arising mainly from the U.S. dollar's fluctuations as to the euro and other currencies fixed to the euro. Foreign currency risks arises from future commercial transactions, recognized assets and liabilities. The main part of purchases, which the Company makes in foreign currency, are made in euro and U.S. dollars. Revenue mainly is formed from euro.

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

The Company's significant open currency positions:

	2013	2012
Financial assets, EUR	10,047,548	11,409,735
Financial liabilities, EUR	(533,824)	(1,266,180)
Open position EUR, net	9,513,724	10,143,555
Open position EUR calculated in lats, net	6,686,283	7,128,931
Financial assets, USD	933	140,814
Financial liabilities, USD	(240)	(249)
Open position USD, net	693	140,565
Open position USD calculated in lats, net	357	74,640

II. Interest rate risks

The Company is exposed to interest rate risk as the main part of the liabilities are interest-bearing borrowings with the variable interest rate (see Note 19), while the main part of the Company's financial assets interest-free receivables (except for available-for-sale financial assets), therefore the Company is exposed to floating interest rate risk.

	2013 LVL	2012 LVL
Financial liabilities with variable interest rate, EUR calculated in LVL	(140,561)	(773,084)
Open position, net, LVL	(140,561)	(773,084)

b. Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily trade receivables, other receivables and cash and it 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 constantly monitors debtor balances in order to mitigate non-payment risk. The partners of the Company for the bank transactions and transactions with available-for-sale financial assets are only the local financial institutions with appropriate ranking.

Maximum exposure to credit risk	2013 LVL	2012 LVL
Trade receivables, other receivables (net)	3,489,198	3,002,845
Other long term receivables	6,329	8,438
Cash and cash equivalents	2,760,519	3,313,418
Financial assets subject to credit risk	6,256,046	6,324,701

Aging of trade receivables	2013 LVL	2012 LVL
Debts undue	2,799,768	2,632,247
Debts due till 30 days	2,381	784
Debts due from 31 to 90 days	744	401
Debts due over 91 days	65	7,930
Trade receivables, net	2,802,958	2,641,362

Movement of provision for doubtful receivables disclosed in Note 16.

c. Liquidity risk

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows:

On 31 December, 2013	**Total** **LVL**	**<1 Year** **LVL**
Short-term loans	140,561	140,561
Trade payables and other liabilities	1,706,214	1,706,214
	1,846,775	1,846,775

On 31 December, 2012	**Total** **LVL**	**<1 Year** **LVL**
Long-term loans	-	-
Short-term loans	773,084	773,084
Trade payables and other liabilities	1,618,071	1,618,071
	2,391,155	2,391,155

All trade receivables are short - term, with a maturity 1 year or less.

d. Capital management

According to the Latvian Commercial Law requirements if the equity of the Company falls below 50% of the share capital, the Board is required to address shareholders to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management policies or processes.

Company's management controls the net debt to total capital (gearing ratio).

25. Contingent tax liabilities

The State Revenue Office may after the tax audit impose additional tax charges and penalties within 3 years subsequent to the reported tax year. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

26. 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 2013.

S.Vilcānes Audits KS

KS "S. Vilcānes audits". Zvērinātu revidentu komercsabiedrības licence Nr. 88. Vienotais reģistrācijas numurs 40003192915.
Biroja adrese: Rīgā, Lībagu ielā 14, LV-1002. Tālr. 67220449, mob. 29222562, fakss 67233038, e-pasts: s.vilcane2@gmail.com

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholders of SJSC Latvijas Gaisa Satiksme

Report on the Financial Statements

We have audited the accompanying financial statements of SJSC Latvijas Gaisa Satiksme set out on pages 9 to 28 of the accompanying annual report, which comprise the statement of financial position as of 31 December 2013 and the comprehensive income, changes in equity and 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 International Financial Reporting Standards as adopted by the European Union, 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 financial statements give a true and fair view of the financial position of SJSC Latvijas Gaisa Satiksme as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the International Financial Reporting Standards adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 set out on pages 5 to 7 of the accompanying annual report and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2013.

Commandite "S.Vilcanes audits"
Audit company licence No. 88

KOMANDĪTSABIEDRĪBA «S.V.AUDITS» LATVIJA

Certified auditor of Latvia
Certificate Nr. 30

Sandra Vilcane

Riga, Latvia

May 15, 2014.