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INFORMATION ON THE COMPANY

Name of the company	LATVIJAS TILTI
Legal status of the company	Joint stock company
Number, place and date of registration	Register of the companies Nr. 50003030441 Riga, 7 October 1991 Commercial register Riga, 29 June 2004
Address	Granita street, 15 Stopinu district, Rmbula, LV- 1057 Latvia
Type of operations	Construction
Parent company	SIA Zinātniskās ražošanas apvienība "LNK" (Latvijas Novitātes Komplekss) (further SIA ZRA "LNK") - 89,69%
Names and positions of the Board members	Sergejs Brovkins - chairman of the board Vladimirs Muhomors - member of the board Regīna Vitrjaka - member of the board
Names and positions of the Council members	Aleksandrs Milovs - chairman of the council Vadims Milovs - vice chairman of the council Boris Rozentāls - member of the council Andrejs Subočs - member of the council Igors Goļcovs - member of the council
Financial year	1 January, 2010 - 31 December, 2010
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

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

Performance of the Company during the financial year

In 2010 the Company's net sales amounted to Ls 22 444 435. During the reporting period the construction works of road crossing on motorway, that connects Turkmenbashi city airport and National tourism area "Avaza" have begun in accordance with signed agreement with Russian company's branch ZAO "PO Vozrozdenije" in Turkmenistan. For the realization of the project the branch of the Company was established under name - Branch "JSC "Latvijas tilti" in Turkmenistan". The amount of performed works in Turkmenistan in 2010 amounts to Ls 2 332 612 from total Company's net sales volume.
During reporting year the construction works of Ventspils autotransport bridge over river Venta were completed. In August 2010 the agreement was signed and works were already started in reconstruction of Klaipeda's sea port.

During reporting period the Company has actively performed in all directions:
- maintenance, construction and repair works of bridges
- concrete product manufacturing
- production of metal constructions
- hydro construction.

Research and development

Much attention was paid to the price analysis of purchased materials and lease of construction equipment and machinery. The measures for work optimization and productivity improvement were taken.
Parallel to the bridge construction, special attention was paid to the occupancy of concrete and metal structures departments.
The average number of employees during the year amounted to 246 people, compared with 250 people in 2009. This indicates that the Company's management seeks to keep skilled workers and pays great attention to training of professionals, helping to get certificates to those assistants of building managers, who have appropriate expertise, education and work experience.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 42

Post balance sheet events

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

Distribution of profit proposed by the Board

	2010 **Ls**
Profit share to be distributed	**1 994 091**
Proposed profit distribution:	
Retained earnings	1 994 091

Future prospects

Evaluating the activity's opportunities for the 2011th year, the Company plans to complete the construction of road crossing in Turkmenistan, to continue hydro construction works in Lithuania. Much attention will be paid and markets will be explored for the possibilities of the Company's experience application in other countries of European Union.

Regīna Vitrjaka board member	Vladimirs Muhomors board member

Riga, 1 May 2011

INCOME STATEMENT

	Notes	2010 Ls	2009 Ls
Net sales	(1)	22 444 435	22 923 771
Cost of sales	(2)	(19 091 915)	(16 726 648)
Gross profit or losses		**3 352 520**	**6 197 123**
Distribution expenses	(3)	(69 787)	(19 985)
Administrative expenses	(4)	(757 461)	(736 268)
Other operating income	(5)	947 660	122 729
Other operating expenses	(6)	(1 169 600)	(457 020)
Gain from investments in subsidiaries and associated companies	(7)	21 658	106 050
Interest and similar income	(8)	133 237	61 593
Interest and similar expenses	(9)	(77 123)	(94 878)
Profit or losses before taxes		**2 381 104**	**5 179 344**
Corporate income tax	(10)	(371 613)	(665 637)
Other taxes	(11)	(15 400)	(13 369)
Net profit or losses		**1 994 091**	**4 500 338**
Earnings per share (in Lats)	(12)	2,97	6,71

Notes on pages 11 to 26 are an integral part of these financial statements.

Regīna Vitrjaka
board member

Vladimirs Muhomors
board member

Riga, 1 May 2011

BALANCE SHEET

	Notes	31.12.2010. Ls	31.12.2009. Ls
ASSETS			
Non-current assets			
Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights	(13)	230	1 046
Total intangible assets:		**230**	**1 046**
Fixed assets:			
Land and buildings	(13)	760 519	539 756
Equipment and machinery	(13)	1 928 561	2 231 508
Other fixed assets	(13)	323 524	329 663
Fixed assets under construction	(13)	-	21 736
Total fixed assets:		**3 012 604**	**3 122 663**
Non-current financial investments:			
Investments in associates	(14)	13 320	13 820
Other loans and non-current receivables	(15)	6 705	-
Own shares	(14)	2 013	2 013
Total non-current financial investments:		**22 038**	**15 833**
Total non-current investments:		**3 034 872**	**3 139 542**
Current assets			
Inventories:			
Raw materials and consumables	(16)	958 786	917 879
Finished goods and goods for sale	(17)	268 380	693 214
Advances for inventories		509 465	83 720
Total inventories:		**1 736 631**	**1 694 813**
Account receivable:			
Trade receivables	(18)	3 493 437	1 118 054
Receivables from group companies	(19)	33 488	2 811 216
Receivables from associates	(20)	8 500	-
Other receivables	(21)	556 438	854 660
Deferred expenses	(22)	109 160	36 637
Accrued income	(23)	1 289 097	1 941 687
Total receivables:		**5 490 120**	**6 762 254**
Current financial investments:			
Other securities and participation interest	(14)	4	4
Total current financial investments:		**4**	**4**
Cash and bank:	(24)	**534 105**	**2 314 839**
Total current assets:		**7 760 860**	**10 771 910**
Total assets		**10 795 732**	**13 911 452**

Notes on pages 11 to 26 are an integral part of these financial statements.

BALANCE SHEET

	Notes	31.12.2010. Ls	31.12.2009. Ls
EQUITY AND LIABILITIES			
Equity			
Share capital	(25)	671 000	671 000
Reserves:			
legal reserves	(26)	29 982	29 982
Retained earnings			
a) previous year's retained earnings		1 069 100	1 064 462
b) current years profit or losses		1 994 091	4 500 338
Total equity:		**3 764 173**	**6 265 782**
Liabilities:			
Non-current liabilities:			
Other borrowings	(27)	904 994	1 397 749
Deferred income tax liabilities	(10)	152 819	274 729
Total non-current liabilities:		**1 057 813**	**1 672 478**
Current liabilities:			
Other borrowings	(27)	305 398	350 786
Advances from customers	(28)	809 437	1 290 430
Trade payables	(29)	2 602 600	2 465 388
Payables to group companies	(30)	71 904	241 497
Taxes and social insurance payments	(31)	407 868	692 051
Other liabilities	(32)	170 152	160 663
Accrued liabilities	(33)	1 606 386	772 377
Total current liabilities:		**5 973 745**	**5 973 192**
Total liabilities:		**7 031 558**	**7 645 670**
Total equity and liabilities		**10 795 732**	**13 911 452**

Notes on pages 11 to 26 are an integral part of these financial statements.

Regīna Vitrjaka
board member

Vladimirs Muhomors
board member

Riga, 1 May 2011

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserves	Retained earnings	Total
	Ls	Ls	Ls	Ls
31.12.2008.	**671 000**	**29 982**	**4 922 711**	**5 623 693**
Dividends	-	-	(3 858 249)	(3 858 249)
Profit for the year	-	-	4 500 338	4 500 338
31.12.2009.	**671 000**	**29 982**	**5 564 800**	**6 265 782**
Dividends	-	-	(4 495 700)	(4 495 700)
Profit for the year	-	-	1 994 091	1 994 091
31.12.2010.	**671 000**	**29 982**	**3 063 191**	**3 764 173**

Notes on pages 11 to 26 are an integral part of these financial statements.

Regīna Vitrjaka
board member

Vladimirs Muhomors
board member

Riga, 1 May 2011

CASH FLOW STATEMENT

		2010 Ls	2009 Ls
Cash flow from operating activities			
Profit or losses before taxes		**2 381 104**	**5 179 344**
Adjustments for:			
depreciation of fixed and intangible assets		486 136	424 460
profit from disposal of fixed assets		(1 825)	(1 419)
write-off of long-term financial investments		30 438	6 600
interest expenses		26 166	74 794
interest income		(23 175)	(61 593)
other taxes		(15 400)	(13 369)
Cash flow prior to changes in current assets and liabilities		**2 883 444**	**5 608 817**
Inventory (increase)/decrease		(41 818)	311 777
Account receivable (increase)/decrease		(1 954 460)	648 363
Account payable increase/(decrease)		1 154 184	(709 679)
Gross cash flow generated from operating activities		**2 041 350**	**5 859 278**
Corporate income tax paid		(1 289 099)	(10 000)
Net cash flow generated from operating activities		**752 251**	**5 849 278**
Cash flow from investing activities			
Acquisition of fixed and intangible assets		(364 617)	(11 373)
Proceeds from sales of fixed assets		12 323	1 419
Loans issued		-	(2 825 271)
Loans repayment received		2 826 616	929 904
Loans interest received		23 175	61 593
Dividends received		21 658	106 050
Net cash flow generated from investing activities		**2 519 155**	**(1 737 678)**
Cash flow from financing activities			
Loans received		245 981	-
Loans repaid		(175 701)	-
Interest paid		(26 166)	(74 794)
Dividends paid		(4 495 700)	(3 858 250)
Finance lease payments		(600 554)	(394 925)
Net cash flow generated from financing activities		**(5 052 140)**	**(4 327 969)**
Net increase / (decrease) in cash and cash equivalents		**(1 780 734)**	**(216 369)**
Cash and cash equivalents at the beginning of the financial year		**2 314 839**	**2 531 208**
Cash and Cash equivalents at the end of the financial year	(24)	**534 105**	**2 314 839**

Notes on pages 11 to 26 are an integral part of these financial statements.

Regīna Vitrjaka
board member

Vladimirs Muhomors
board member

Riga, 1 May 2011

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports and effective Latvian Accounting Standards.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover method. The cash flow statement has been prepared under indirect cash flow method.

(2) Reclassification of comparatives

Certain items have been classified differently than in previous year financial statements. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	2009 Adjusted Name of line item	2009 Prior adjustments Name of line item	Amount Ls
Net loss from sale of foreign currency	Interest and similar expenses	Other operating expenses	20 084
Advances for inventories	Advances for inventories	Other receivables	83 720
Trade payables of SIA "Transporta kompānija Irbe LNK" (further SIA Irbe LNK) and SIA "kompānija TTS-Avio" (further SIA TTS-Avio)	Payables to group companies	Trade payables	241 497
Residual values of cars	Other fixed assets	Equipment and machinery	195 551
Provision for doubtful debt of other receivables	Trade receivables	Other receivables	12 133
Accrued expenses for uncompleted construction works	Accrued income	Uncompleted work	131 811

(3) Income recognition and net sales

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

Income is recognized according to the following principles:
Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
Rendering of services - under the percentage of completion method;
Income from fines and penalties - at the moment of receiving the payments;
Interest income - on an accrual basis;
Dividends - at the moment of acquiring legal rights to receive them.

(4) Construction contracts

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

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

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

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

(5) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2010.	**31.12.2009.**
	Ls	**Ls**
1 USD	0,535	0,484
1 EUR	0,702804	0,702804
1 LTL	0,203	0,204

(6) Fixed and intangible assets

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

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

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

The Company capitalizes its fixed assets valued over Ls 150 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than 150 Ls is recognized in full after its ready for use.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is prescribed as the highest from actual value of investigation, discharging purchase costs or usage values.

(7) Lease-to-buy (financial lease)

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

(8) Lease without redemption rights (operating lease)

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lessor, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

(9) Inventories

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

(10) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

(11) Investments in group and associates, other financial investments

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

(12) Accrued liabilities for unused annual leave

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

(13) Taxation

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

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

(14) Cash and cash equivalents

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

(15) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

(16) Associates

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

(17) Related parties

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

II. OTHER NOTES

(1) Net sales

	2010 Ls	2009 Ls
By operating activities		
Income from construction works	22 232 211	22 579 794
Income from services and sale of construction products	212 224	343 977
	22 444 435	**22 923 771**
By location		
Income from sales of goods/services in Latvia	19 714 523	22 923 771
Income from sales of goods/services to EU	397 300	-
Income from sales of goods/services to Turkmenistan	2 332 612	-
	22 444 435	**22 923 771**

(2) Cost of sales

Outsourced services	5 561 197	6 963 092
Raw materials and consumables	9 376 967	6 098 837
Salary expenses	2 588 714	2 500 050
Social insurance	612 555	625 596
Depreciation of fixed assets	484 415	424 460
Other costs	468 067	114 613
	19 091 915	**16 726 648**

(3) Distribution expenses

Transportation costs	66 775	15 917
Advertising expenses	3 012	4 068
	69 787	**19 985**

(4) Administrative expenses

Research expenditure	213 600	307 512
Salary expenses	175 693	186 975
Transportation costs	68 108	59 389
Social insurance costs	41 730	43 579
Professional service costs	66 173	22 982
Office expenses	18 135	14 365
Rent expenses	17 088	13 689
Cash turnover expenses	7 509	27 114
Representation costs	4 588	862
Other administrative expenses	144 837	59 801
	757 461	**736 268**

(5) Other operating income

Income from sale of materials and services	889 259	107 396
Net gain from disposal of fixed assets	1 825	-
Other income	56 576	15 333
	947 660	**122 729**

(6) Other operating expenses	2010 Ls	2009 Ls
Expenses from sale of materials and services	678 031	-
Provisions for doubtful debts	189 941	216 538
Donations	140 490	194 266
Net losses from disposal of fixed assets	-	1 419
Other expenses	161 138	44 797
	1 169 600	**457 020**

(7) Income from investments in subsidiaries and associated companies

Dividends received from general partnerships	21 658	106 050
	21 658	**106 050**

(8) Interest and similar income

Net income on foreign exchange transactions	63 984	-
Net income from exchange rate fluctuations	43 001	-
Interest income	23 197	61 593
Other income	3 055	-
	133 237	**61 593**

(9) Interest and similar expenses

Interest charge, including bank's commissions for issued guarantees (see Note 40)	72 902	73 106
Penalties paid	4 221	1 688
Net loss from sale of foreign currency	-	20 084
	77 123	**94 878**

(10) Corporate income tax

a) Components of corporate income tax

Changes in deferred income tax	(121 910)	24 239
Corporate income tax according to the tax return (Latvia)	336 262	641 398
Corporate income tax according to the tax return (abroad)	157 261	-
	371 613	**665 637**

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:

	2010 Ls	2009 Ls
Profit before taxes	2 381 104	5 179 344
Other taxes (real estate taxes)	(15 400)	(13 369)
Profit before corporate income tax	2 365 704	5 165 975
Theoretically calculated tax at 15% tax rate	**354 856**	**774 896**
Tax effects on:		
Non-deductible expenses for tax purposes	121 513	26 819
Non-taxable income	(3 249)	(15 908)
Tax discounts for donations	(110 998)	(160 349)
Non-deductable income tax paid abroad	49 670	-
Previous year's mistake in deferred tax calculation	(40 179)	40 179
Total corporate income tax expenses	**371 613**	**665 637**

b) Movement and components of deferred tax	2010 Ls	2009 Ls
Deferred tax liabilities (asset) at the beginning of the financial year	274 729	250 490
Deferred tax charged to the income statement	(121 910)	24 239
Deferred tax liabilities (asset) at the end of the financial year	**152 819**	**274 729**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2010. Ls	31.12.2009. Ls
Temporary difference on depreciation of fixed and intangible assets	268 825	274 729
Gross deferred tax liabilities	**268 825**	**274 729**
Temporary difference on accruals for annual leave	(61 157)	-
Temporary difference on provision for impaired materials	(41 273)	-
Temporary difference on revenue recognition	(13 576)	-
Net deferred tax liability (assets)	**152 819**	**274 729**

(11) Other taxes	2010 Ls	2009 Ls
Real estate tax for land	2 513	5 439
Real estate tax for buildings	12 887	7 930
	15 400	**13 369**

(12) Earnings per Share (in Lats)

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

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

	2010	2009
Profit attributed to shareholders of the Company (lats)	1 994 091	4 500 338
Average annual number of shares	671 000	671 000
Earnings per share (in lats)	**2,97**	**6,71**

(13) Intangible and fixed assets

	Concessions, patents, licenses, trade marks and similar rights	Fixed assets				
		Land and buildings	Equipment and machinery	Other fixed assets	Fixed assets under construction	Total fixed assets
	Ls	Ls	Ls	Ls	Ls	Ls
Cost/revaluation						
31.12.2009.	9 031	901 257	3 638 947	894 655	21 736	5 456 595
Additions	-	-	101 556	46 830	267 811	416 197
Disposals	-	(10 668)	(59 763)	(20 489)	(21 736)	(112 656)
Reclassification between fixed assets	-	267 811	-	-	(267 811)	0
31.12.2010.	9 031	1 158 400	3 680 740	920 996	0	**5 760 136**
Depreciation						
31.12.2009.	(7 985)	(361 502)	(1 407 439)	(564 992)	-	(2 333 933)
Calculated	(816)	(39 789)	(394 768)	(50 763)	-	(485 320)
Disposals	-	3 410	50 028	18 283	-	71 721
31.12.2010.	(8 801)	(397 881)	(1 752 179)	(597 472)	0	**(2 747 532)**
Net carrying amount 31.12.2009.	**1 046**	**539 756**	**2 231 508**	**329 663**	**21 736**	**3 122 663**
Net carrying amount 31.12.2010.	**230**	**760 519**	**1 928 561**	**323 524**	**0**	**3 012 604**

a) Cadastral values

Cadastral value of freehold land as at December 31, 2010 is Ls 146 612 (31.12.2009: Ls 167 557). Cadastral value for the buildings is Ls 857 370 (31.12.2009: Ls 859 112).

b) Joint ownership of real estate

In previous year the Company has sold conditional part of it's real estate (land plot and buildings on it), that amounted to about 19% from whole real estate. In the same year parties have signed written agreement stating the Company's exclusive owbership rights on all buildings and on 76 200 m2 land plot's part from total 177 500 m2 land plot.
During current year the additional agreement was signed on joint usage of real estate, in accordance to which parties agree on rights to use separately and independently each land plot's exisiting communication facilities, road and entrance area and other rights.

c) Fixed assets under finance lease

Net carrying amount of fixed assets acquired under finance lease as at December 31, 2010 is Ls 1 281 628 (31.12.2009 - Ls 1 803 528). The ownership of those assets will be transferred to the Company after the settlement of all lease liabilities (see notes 27).

d) Effect of changes in estimates

In reporting year the Company has changed accounting estimates on depreciable fixed assets value, determining that starting from 2010 the liquidation values of fixed assets are zero. This change of accounting estimate has affected Income statement in 2010 in comparision with 2009 by Ls 72 966, having increased current year's depreciation expenses.

Information on pledged fixed assets is disclosed in the Note 40 to the financial statements.

(14) Equity investments

a) movement of investments

	Non-current		Current	
	Investments in associates	Own shares	Other securities and investments	Total
	Ls	Ls	Ls	Ls
Cost				
31.12.2009.	13 820	2 013	4	15 837
Disposals	(500)	-	-	(500)
31.12.2010.	13 320	2 013	4	15 337
Net carrying amount 31.12.2009.	**13 820**	**2 013**	**4**	**15 837**
Net carrying amount 31.12.2010.	**13 320**	**2 013**	**4**	**15 337**

c) investments in associates

Name	Address	Type of operations	Participating interest	
			31.12.2009. %	31.12.2010. %
AS "Transport Systems"	E.Melngaiļa street 1a, Rīga	Designing, construction services	12,5	12,5
General partnership TLTB	E.Melngaiļa street 1a, Rīga	Construction services	25	25
"Mostootrjad 17"	S.Peterburg Institutskij pr.,21, Russia	Construction services	50	50
General partnership LT&UZBūve	Stopiņu nov., Rumbula, Granīta 15	Construction services	50	-

Investment in general partnership LT&UZBūve in amount of Ls 500 was written-off in the reporting year, settling against debt for unpaid shares in this partnership, as there was no acitivity in this partnership during reporting year and the partnership was intented to be liquidated in the next reporting period.

(15) Other loans and non-current receivables

	31.12.2010. Ls	31.12.2009. Ls
Advance payments of operating lease agreements, non-current part (see Notes 21)	6 705	-
	6 705	**0**

In 2010 the Company has concluded two new lease agreements with SIA "DnB Nord Līzings" for 2 auto vehicles with a lease period of 36 months. Under these agreement terms the Company had to carry out first payments in amount of 15-25% of the purchase price. The Company depreciates these payments over the lease period and the amount of 6 705 Ls is the non-current part of first payments payable in 2012 and further years.

(16) Raw materials and consumables

	31.12.2010. Ls	31.12.2009. Ls
Raw materials and consumables	1 201 064	885 821
Accruals for impaired materials	(275 152)	-
Spare parts and other materials	32 874	32 058
	958 786	**917 879**

(17) Finished goods and goods for sale	31.12.2010. Ls	31.12.2009. Ls
Metal constructions	174 818	445 256
Concrete products	93 562	247 958
	268 380	**693 214**

(18) Trade receivables

Book value of trade receivables in Latvia	1 789 337	700 203
Book value of trade receivables in Turkmenistan	1 031 002	-
Retentions	1 045 636	601 389
(Provisions for bad and doubtful debts)	(372 538)	(183 538)
	3 493 437	**1 118 054**

Provisions for bad and doubtful debts have been made 50-100 % of their book value.

(19) Receivables from group companies	31.12.2010. Ls	31.12.2009. Ls
Loan to SIA ZRA "LNK" *	-	2 811 216
Receivables from SIA TTS-Avio **	33 488	-
	33 488	**2 811 216**

*In previous year issued loan to parent company SIA ZRA "LNK" in amount of EUR 4 millions with 1,2% interest rate and repayment term of 31 December 2010 was fully settled in September of reporting year.

**The receivable from SIA TTS-Avio consist of debt for sold metal constructions.

(20) Receivables from associates	31.12.2010. Ls	31.12.2009. Ls
Debts of general partnerships LT Celtniecība and TLTB	8 500	-
	8 500	**0**

(21) Other receivables

Corporate income tax overpaid (see Note 31 for details)	470 087	-
Advance payments for works and services	74 604	815 723
Provisions for bad and doubtful advance payments for services	(32 999)	(32 999)
Payments to personnel	27 920	-
Input VAT accepted	5 382	49 844
Current loans	4 444	19 844
Advance payments of operating lease agreements, current part (see also Notes 15)	3 990	610
Other receivables	3 951	1 638
Provision for bad and doubtful other receivables	(941)	-
	556 438	**854 660**

(22) Deferred expenses

Prepayments of insurance payments	79 053	31 599
Other expenses	30 107	5 038
	109 160	**36 637**

(23) Construction contracts	31.12.2010. Ls	31.12.2009. Ls
Costs incurred and profit recognised as income	467 153	1 941 687
Gross amount of work-in-progress	**467 153**	**1 941 687**
where:		
Work-in-progress under assets (as "Accrued income")	1 289 097	1 941 687
Work-in-progress under liabilities (as "Accrued liabilities")	(821 944)	-
	467 153	**1 941 687**
Corresponding amounts:		
Contract revenue recognised in income statement (as "Net sales")	22 232 211	22 579 794
Advances received from customers (as "Advances from customers")	809 437	1 290 430
Retentions on construction contracts (as "Trade receivables")	1 045 636	601 389

(24) Cash and bank	31.12.2010. Ls	31.12.2009. Ls
Cash at bank on current accounts	475 105	2 290 400
Cash on hand	59 000	24 439
	534 105	**2 314 839**

(25) Share capital

As at December 31, 2010 the registered and fully paid share capital is Ls 671 000, composed of 671 000 ordinary shares with a nominal value of 1 Ls each. The share capital with voting rights is Ls 668 987, without voting rights personal shares - Ls 2 013.

(26) Reserves

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

(27) Other borrowings	31.12.2010. Ls	31.12.2009. Ls
Non-current		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	809 273	996 630
Liabilities according to the finance lease agreements, payable over 5 years	95 721	401 119
	904 994	**1 397 749**
Current		
Liabilities according to the finance lease agreements, payable within 1 year	305 398	350 786
	305 398	**350 786**

As disclosed in Note 13 the Company has acquired assets under finance lease from SIA "DnB Nord Līzings": trucks and auto vehicles, technological equipment and others. Interest payments of average interest rate 3-6 months Euribor + 0,9%-3% per annum are due on monthly basis. Financial lease repayment dates are starting from June 2011 until March 2017.

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

In accordance with the agreements the minimum finance lease payments are:	31.12.2010. Ls	31.12.2009. Ls
Payable within 1 year	335 993	380 125
Payable from 2 to 5 years	866 839	1 077 902
Payable over 5 years	98 851	411 138
Finance lease gross liabilities	**1 301 683**	**1 869 165**
Future finance costs	(91 291)	(120 630)
Present value of finance lease liabilities	**1 210 392**	**1 748 535**

(28) Advances from customers

Advances from customers in Latvia	140 623	1 290 430
Advances from customers in Lithuania	668 814	-
	809 437	**1 290 430**

(29) Trade payables

Trade payables - Latvia, EU	2 106 844	2 312 985
Trade payables - Turkmenistan	213 367	-
Retentions	282 389	152 403
	2 602 600	**2 465 388**

(30) Payables to group companies

Loan from SIA ZRA LNK *	70 280	-
Payable to SIA Irbe LNK for received services	1 334	1 393
Payable to SIA ZRA LNK for received services	162	-
Payable to SIA TTS-Avio for received works and services	127	240 104
	71 904	**241 497**

During reporting year the Company has received several loans from parent company SIA ZRA LNK, which balance as at 31 December 2010 is Ls 70 280. The loan is repayable until October 2011 with interest rate of 1,2% per annum.

(31) Taxes and social insurance payments

	31.12.2009.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other taxes	31.12.2010.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	72 666	1 842 321	80	(1 837 900)	-	77 167
Personal income tax	59 041	687 470	371	(704 150)	-	42 732
Social insurance payments	78 228	1 008 557	-	(1 028 521)	-	58 264
Corporate income tax	481 807	336 262	943	(1 289 099)	-	(470 087)
Real estate tax (land)	-	2 513	-	(2 513)	-	0
Real estate tax (buildings)	-	12 887	-	(12 887)	-	0
Natural resource tax	264	2 722	-	(1 833)	-	1 153
State risk duty	45	752	1	(751)	-	47
VAT abroad	-	298 852	-	(263 704)	-	35 148
Corporate income tax abroad	-	157 271	-	(7 133)	-	150 138
Other taxes abroad	-	77 189	-	(33 970)	-	43 219
Total	**692 051**	**4 426 796**	**1 395**	**(5 182 461)**	**0**	**(62 219)**
Hereof						
(Overpaid) - see Note 21 for details						**(470 087)**
Payables	**692 051**					**407 868**

(32) Other liabilities	31.12.2010. Ls	31.12.2009. Ls
Salaries	122 916	159 329
Other liabilities	47 236	1 334
	170 152	**160 663**

(33) Accrued liabilities

Accrued expenses for construction contracts (see Notes 23)	821 944	-
Accrued unused annual leave expenses	407 712	265 733
Accrued liabilities for guarantee expenses (see Notes 40)	27 422	-
Other accrued liabilities	349 308	506 644
	1 606 386	**772 377**

(34) Fees paid to auditors	2010 Ls	2009 Ls
For the audit of financial statements	5 900	2 469
For the review of dependence statement	100	-
For tax consulting	175	-
	6 175	**2 469**

(35) Average number of employees	2010	2009
Average number of people employed during the financial year	246	250

(36) Remuneration to personnel	2010 Ls	2009 Ls
Employee pay	2 764 407	2 687 025
Social insurance payments	654 285	669 175
	3 418 692	**3 356 200**

(37) Remuneration to the management

Board members		
· salary expenses	74 870	82 049
· other social insurance expenses	18 036	19 766
Council members		
· salary expenses	87 135	89 888
· other social insurance expenses	20 991	21 654
	201 032	**213 357**

(38) Transactions with related parties

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

In 2010 the Company had economic transactions with the following group companies that are directly or indirectly subsidiaries of SIA ZRA "LNK": SIA "TTS-Avio", SIA "Irbe LNK". The Company had also transactions with the related company SIA "Alojas Biznesa Centrs (ABC)" (Latvia) that is not a member of the Group.

a) claims and liabilities

	Notes	31.12.2010. Receivables Ls	31.12.2010. Payables Ls	31.12.2009. Receivables Ls	31.12.2009. Payables Ls
Group companies					
SIA TTS-Avio		33 488	127	-	240 104
SIA ZRA LNK		-	70 442	2 811 216	-
SIA Irbe LNK		-	1 334	-	1 393
		33 488	**71 904**	**2 811 216**	**241 497**

b) transactions

	Notes	Sales to related parties 2010 Ls	Sales to related parties 2009 Ls	Purchases from related parties 2010 Ls	Purchases from related parties 2009 Ls
Group companies					
SIA TTS-Avio - goods for sale		27 676	128 258	73 414	127
SIA TTS-Avio - other services		-	666	-	403 354
SIA Irbe LNK - other services		-	38	69 391	8 580
SIA Irbe LNK - loan interest		255	407	-	-
SIA ZRA LNK - loan interest		22 920	23 936	162	-
		50 852	**153 305**	**142 967**	**412 061**
Other related parties					
SIA Alojas Biznesa Centrs (ABC)		7 200	-	-	-
		7 200	**0**	**0**	**0**
		58 052	**153 305**	**142 967**	**412 061**

(39) Contingent liabilities

Ventspils freeport administration has raised claim against the Company about payment of calculated penalty for failure to meet the deadline of reconstruction works of Ventspils autotransport bridge over river Venta. The amount of calculated penalty payment is equal to Ventspils freeport administration withheld deferred payment amount from completed construction works - Ls 378 thousands. The outcome of the case is not clearly stated at this moment. The financial statements include partial provisions for contingent liabilities.

(40) Guarantee liabilities and pledge of assets

In accordance with signed agreements with customers the Company provides free remove of work defects. Accruals for potential liabilities and expenses in the period of guarantee at the end of the reporting period are in amount of Ls 27 422 (see Notes 33).

In previous year the Company has signed collaboration agreement with AS Swedbank for issue of guarantee in total amount of EUR 2,8 millions, which term was prolonged until 1 July 2011 and interest rate was amended from 2% to 1,5% per annum.
During reporting period the Company has signed new guarantee agreement with AS Swedbank in favour for state authorities of Klaipeda sea port directorate (for construction project) with term until 31 January 2012. Guarantee amount was lately amended to EUR 2,6 millions and interest rate of 1,5% per annum.

As security in case of claims that may arise from the signed guarantee agreements the Company has pledged its real estate: land plot and buildings, as well as all its assets as a unity to AS Swedbank. The balance amount of pledged assets at the end of the reporting period is Ls 10 795 732 (31.12.2009: 13 911 452). The maximum amount of claims secured by commercial pledge is Ls 9 002 920.

(41) Operating lease commitments

The Company uses several auto vehicles, received under operating lease agreements from SIA DnB Nord Līzings. At the end of reporting period the Company has in force six operating lease agreements with repayment dates starting from September 2011 and until September 2013. In 2010 income statement recognized the rental expenses of Ls 16 227 (2009: Ls 14 810).

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

In accordance with the rental agreements, the Company has following non-cancellable lease liabilities:	**31.12.2010.**	**31.12.2009.**
	Ls	**Ls**
Payable within 1 year	15 039	16 227
Payable from 1 to 5 years	10 501	25 540
	25 540	**41 767**

(42) Financial risk management

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

Foreign currency risks

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

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

The companies foreign exchange open position is:

	31.12.2010.	**31.12.2009.**
Financial assets, EUR	601 756	7 185 591
Financial liabilities, EUR	(1 893 362)	(2 877 980)
Open position EUR, net	(1 291 607)	4 307 611
Open position EUR, calculated in lats, net	**(907 746)**	**3 027 406**
Financial assets, USD	2 964 287	-
Financial liabilities, USD	(65 038)	-
Open position USD, net	2 899 249	0
Open position USD, calculated in lats, net	**1 551 098**	**0**
Financial assets, LTL	163 206	-
Financial liabilities, LTL	(3 436 048)	-
Open position LTL, net	(3 272 842)	0
Open position LTL, calculated in lats, net	**(664 387)**	**0**

Interest rate risks

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

Credit risk

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

The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

Liquidity risk

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

(43) 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 2010.

Regīna Vitrjaka board member	Vladimirs Muhomors board member

Riga, 1 May 2011

The annual report has been approved by the general meeting of members ____ _____ 2011

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