



To: applicants in accordance with the list

## **INVITATION FOR A PRICE QUOTATION**

### **“Auditing Service”, reference No P/2016-3**

The RB Rail AS (hereinafter - the Customer) organises and invites qualified independent auditors (hereinafter - Candidates) having sufficient accounting and auditing experience in performing an audit in accordance with the specification (Annex No 2), draft agreement (Annex No 3) and outlined in this Invitation to submit a proposal for price quotation “Auditing Service” (hereinafter – price quotation).

### **Rules of the price quotation:**

#### **1. Description of the subject-matter (hereinafter – Service):**

1.1. Service Part I: The Certified Audit Company undertakes to carry out an audit of the Company’s financial statements for the period started on 28 October 2014 and ended on 31 December 2015 prepared under the Annual Accounts Act. The Audit shall be carried out in accordance with International Standards on Auditing issued by International Federation of Accountants and the Certified Auditors;

1.2. Service Part II: The Certified Audit Company undertakes to carry out an audit of the project expenditure of the EU Connecting Europe Facility (CEF) funded project “Development of a 1435mm standard gauge railway line in the Rail Baltic / Rail Baltica (RB) corridor through Estonia, Latvia and Lithuania”, Action No. 2014-EU-TMC-0560-M (Grant Agreement INEA/CEF/TRAN/M2014/1045990).

Provision of above mentioned Service has to be done in accordance with Specification (Annex No 2) and draft agreement (Annex No 3).

#### **2. Provision of Service:**

2.1 Deadline: in accordance with the Specification (Annex No2) in full amount – 31 March 2016.

2.2 Place of delivery: RB Rail AS, 21 Kr.Valdemāra Street, room 639, Riga.

#### **3. Conditions for the exclusion of candidates**

The Customer shall exclude the candidate from further participation in the price quotation as well as shall not review the tender in any of the following events:

3.1. if they are bankrupt or wound up, have suspended their business activities or are in other kind of status, which prevents or might prevent the Candidates for proper implementation of the agreement;

3.2. if they or persons having powers of representation, decision making or control over the Candidates have been convicted of a criminal offence relating to the professional conduct by the judgement of a court;

3.3. if they or persons having powers of representation, decision making or control over the Candidates have been convicted of an offence relating to fraud, corruption, involvement in criminal organisation, money laundering or any other illegal activity by the judgement of a court;

3.4. if they have misrepresented the information included in their proposal and required for particular procurement procedure;

3.5. if the Customer has obtained information that the Candidates have entered into unlawful agreements with competitors or have influenced in any unlawful way the person or group of persons appointed by the Customer to select the proposals submitted for particular procurement procedure;

3.6. if they are in the situation of conflict of interests due to participation in related procurement procedures organised by the Customer or due to other circumstances as described in applicable laws and thus have gained unfair competitive advantage;

3.7. if as a matter of applicable law or other regulation the Customer is prohibited from entering into commercial relations with the country of registration of the Candidate or the Candidate itself;

3.8. the person indicated by the candidate, on the abilities of whom the candidate relies, in order to certify that the qualification thereof complies with the requirements referred to in sub-paragraphs 3.1. - 3.7.

#### **4. The tender shall include the following documents:**

4.1. application (Annex No 1);

4.2. draft Audit plan;

4.3. copies of a documents or copies of an equivalent documents described in paragraphs 7.1 and 7.2 of invitation;

4.4. following information in written form:

4.3.1. list of audit team (to include short description of each team member: education, experience and position in the team) that will handle the audit;

4.3.2. list of the current and prior audit clients for last 5 (five) years, indicating the type(s) of services similar to subject-matter performed and the number of years served for each. Candidate should include any relevant information regarding audits performed (see paragraphs 7.3 and 7.4 of invitation);

4.4. *in the case if the tender is not signed by the legal representative of the candidate*, a document certifying the rights of the persons who have signed the tender, to represent the candidate (powers of attorney, authorisation agreements etc.).

#### **5. Submission of a tender:**

5.1. a tender (documents referred to in Paragraph 4 of these Rules) for participation in the price quotation shall be submitted by e-mail to [vija.vitola@railbaltica.org](mailto:vija.vitola@railbaltica.org) **by 8 February 2016 at 14:00 o'clock**;

5.2. the candidate is not permitted to submit variants of the tender;

5.3. the candidate may submit a tender only for the whole subject matter of the price quotation in total;

5.4. tenders submitted after the expiry of the deadline for the submission of tenders shall not be reviewed.

#### **6. Preparation and layout of the tender:**

6.1. the candidate shall submit one original in PDF format and one copy in MS Word format of the tender for the price quotation as attached to the e-mail;

6.2. a tender shall be submitted in written form in English;

#### **7. Qualification and experience of Candidate:**

7.1. Candidate has existing certificate of the Association of Sworn auditors of Latvia and Candidate is registered in the list of Sworn auditors of Republic of Latvia or Candidate has existing licence issued by Sworn auditors of Latvia and Candidate is registered in the commercial register of the Sworn auditors of Republic of Latvia;

7.2. Candidate is awarded with level “A” after evaluation of representative in field of professional interests association of Sworn auditors;

7.3. Within the last 3 full economic years (2013, 2014, 2015) the candidate must have executed at least 1 (one) Company audit which is similar to subject matter and where audit of Company’s financial statements in accordance with International Standards on Auditing issued by International Federation of Accountants and the Certified Auditors was provided;

7.4. Within the last 3 full economic years (2013, 2014, 2015) the candidate must have executed at least 1 (one) audit of EU funded project or equivalent, similar to subject-matter.

**8. Criterion for the selection of a tender:**

the lowest price (excluding VAT) for the procurement object in total.

**9. Bid price:**

9.1. the price shall be specified in EUR, (excluding VAT);

9.2. the price shall include all expenses of the candidate in relation to the provision of the service up to the delivery place, including transportation, insurance, reloading, administrative costs, taxes etc.;

9.3. the bid price shall be provided for the total Service, the Service Part I and Service Part II.

**10. Period of validity of the tender:**

60 days from the day of opening of the tender.

**11. Provision of information:**

11.1. the candidate may request explanations regarding the preparation of the tender. All requests shall be executed in English and in writing by sending to the e-mail: [vija.vitola@railbaltica.org](mailto:vija.vitola@railbaltica.org) not later than 2 working days prior to the deadline specified in sub-paragraph 5.1;

11.2. the customer shall prepare a written reply to the request and shall send it to all candidates together with the asked question, without specifying the candidate who has asked the question.

**12. Verification of the tender:**

12.1. after the opening of the tender for the price quotation customer shall perform verification of the compliance of the tender with the requirements of the invitation for the price quotation, without the participation of the candidate. If the tender or the candidate fails to comply with the requirements of the invitation for the price quotation, the customer shall refuse the tender and exclude the candidate from further participation in the price quotation. If the tender does not comply with the layout requirements, the commission shall assess the significance thereof and make a decision regarding the solidity of refusal of the tender;

12.2. during the verification of tenders, the customer shall verify whether the tender contains any arithmetical errors. If the customer establishes such errors, they shall correct such errors. The customer shall notify the candidate whose arithmetical errors have been corrected, regarding the correction of errors and the corrected amount of the tender. Upon evaluating the financial tender, the customer shall take into account corrections;

12.3. during the course of the verification of the tender the customer shall be entitled to ask for additional information from the candidate;

12.4. if the tender for the price quotation is not beneficial, the customer shall be entitled to propose that all candidates decrease the price of the tender, with or without making amendments to the Specification, prior to making the decision regarding the results of the price quotation.

**13. Decision making:**

13.1. after the verification of tenders the customer shall select a winner, who has submitted the tender in compliance with the invitation for the price quotation and subject matter of the invitation for the price quotation with the lowest price, or shall take a decision regarding the termination of the price quotation;

13.2. if only one tender has been submitted for the price quotation, the customer shall decide whether it complies with the invitation for the price quotation, whether it is beneficial and whether the particular candidate may be announced as a winner for the price quotation;

13.3. the approval of the decision of the customer regarding entering into an agreement, in accordance with the procedure set by internal regulations of the RB Rail AS, shall serve as a basis for entering into an agreement with the winner of the price quotation.

**14. Announcement of Results and Entering into an Agreement:**

14.1. upon taking the decision regarding entering into the agreement referred to in subparagraph 13.3, the Customer shall notify the results to the participants of the price quotation within 5 working days and shall enter into a respective agreement with the winner of the price quotation;

14.2. if the selected candidate fails to enter into an agreement within the time period specified by the Customer in the notification, then it shall be deemed that he has refused the rights granted to provide service, regarding which the minutes shall be prepared.

In such a case the customer shall take a decision regarding termination of the price quotation without selecting any tender, or shall select the tender with the next lowest price.

**15. Other provisions:** until the approval of the results of the price quotation the Customer shall be entitled to decrease the volume of the subject matter of the price quotation or to make a decision to enter into agreement only regarding some part of the subject matter of the price quotation due to financial or any other considerations.

**16. Contact persons of the Customer:**

Vija Vītola, telephone: +371 66967171, e-mail address: [vija.vitola@railbaltica.org](mailto:vija.vitola@railbaltica.org).

Enclosed: Annex No. 1 - Sample of the application on 1 page;  
Annex No. 2 - Specification on 1 page;  
Annex No. 3 - Draft Agreement on 11 pages.



Vija Vītola  
Board Project Manager

[form of the candidate's company]

\_\_\_\_\_ 2016

No. \_\_\_\_\_

## APPLICATION FOR PARTICIPATION IN THE PRICE QUOTATION

Candidate \_\_\_\_\_, reg. No. \_\_\_\_\_,  
(Name of the Candidate)

represented by \_\_\_\_\_,  
(Name, surname and position of the manager or an authorised person)

by submitting this application:

1. confirms his participation in the price quotation organised by the RB Rail AS “Auditing Service”;
2. offers to provide service in accordance with the Specification for the following price<sup>1</sup>:

No.	Service	Quantity	Unit price EUR, excl. VAT	Amount EUR, excl. VAT
1.	Service part I: audit of the Company's financial statements for the period started on 28 October 2014 and ended on 31 December 2015 (paragraph 1.1 of invitation)			
2.	Service part II: audit of the project costs of the EU Connecting Europe Facility (CEF) funded project (paragraph 1.2 of invitation)			
3.	additional costs either through delays or additional work, such costs shall be chargeable to the Company as additional fees charged at the Auditors' rates (man-hours).	1 man-hour		
4.	...			
<b>Total amount of the tender EUR (excl. VAT):</b>				

Total amount of the tender EUR (excl. VAT) in words: \_\_\_\_\_.

3. confirms that he does not comply with any of the cases for the exclusion of candidates referred to in Paragraph 3 of the invitation for the price quotation;
4. confirms that he is informed of the fact that, upon the fulfilment of any cases regarding the exclusion of candidates referred to in Paragraph 3 of the invitation for the negotiated procedure during the period of validity of the tender, the tender of the candidate may be refused or, in the case of granting the right to enter into an agreement, the Customer may refuse to enter into a procurement agreement;
5. confirms that the invitation for the price quotation is clear and understandable, that he does not have any objections and complaints and that in the case of granting the right to enter into an agreement he shall undertake to fulfil all conditions of the invitation for the price quotation as well as enter into a procurement agreement in accordance with the draft agreement enclosed with the invitation for the price quotation;
6. admits the period of validity of its tender for at least 30 days from the day of opening of the tender;
7. guarantees that the all resources, experience and personnel represented in a tender will be involved in provision of service;
8. guarantees that all the information provided is true.

\_\_\_\_\_  
(Signature)

LS

Address of the candidate \_\_\_\_\_,

telephone (fax) number, e-mail address \_\_\_\_\_.

Position, name and surname of the manager or the authorised person of the candidate

\_\_\_\_\_

<sup>1</sup> When preparing the financial tender, the rules of sub-paragraph 9.1, 9.2 and 9.3 of the invitation for the price quotation shall be taken into account.

## SPECIFICATION

1. Service part I: an Audit of the Company’s financial statements for the period started on 28 October 2014 and ended on 31 December 2015 prepared under the Annual Accounts Act.
  - 1.1. The Audit shall be conducted in line with the International Standards on Auditing issued by International Federation of Accountants and with the laws of the Republic of Latvia. The International Standards on Auditing require that Auditors comply with ethical requirements, plan and perform the Audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.
2. Service part II: an Audit on total project expenditure (eligible costs) in 2015 as per Grant Agreement.
  - 2.1. The auditor has to obtain assurance that:
    - 2.1.1. procurement procedures are applied in accordance with legislative requirements and internal rules of the Company;
    - 2.1.2. the eligible portion of the costs that will be financed by the CEF funds are determined in accordance with the Grant Agreement;
    - 2.1.3. project costs, including eligible costs corresponds to the amounts recorded in the accounts of the Company;
    - 2.1.4. books and accounting statements comply with legislative requirements and best professional practice standards;
    - 2.1.5. costs incurred pursuant to the project budget set out by the Grant Agreement, as well as the total amount of eligible costs does not exceed the amount specified in the Grant Agreement. The Auditor has to carry out comparison of costs with supporting documents (contracts with contractors, contractors issued invoices, bills of lading, money orders or bank account statements) and terms of the Grant Agreement;
    - 2.1.6. on the basis of statistical sampling methods verify that fixed assets, transactions and account balances with contractors are reflected accurately and completely.
3. The auditor should ensure a sufficient number of qualified personnel to perform all the above mentioned tasks and prepare the auditor's report.
4. The Company’s turnover is expected below 1 000 000 EUR in the period, substantial part of it is the project expenditure.
5. When preparing the proposal, Candidate should take into account the following information about the Company:

Indicator	2015
Turnover, EUR	0
Profit, EUR	Loss 786 k EUR
Assets, EUR	1 m EUR
Fixed assets, EUR	40 k EUR
EU fund financing	9.4 m EUR (advance received)
CEF expenditure	103 k EUR
Coverage in Baltic states	40 k EUR, 3 assets located in LV, LT and EE

**DRAFT AGREEMENT**

**AUDIT AGREEMENT No. \_\_\_\_\_**

**RB Rail AS**, registered in the Latvian Commercial Register with registration No. 40103845025 and registered office at 3 Gogoļa iela, Riga, LV-1050, Latvia, hereinafter referred to as the “**Company**”, represented by its Chairman of the Board Baiba A. Rubesa acting under the Company’s Statutes,

and

\_\_\_\_\_, registered in the Latvian Commercial Register with registration No. \_\_\_\_\_ and registered office at \_\_\_\_\_, Riga, LV-\_\_\_\_\_, Latvia, hereinafter referred to as the “**Certified Audit Company**”, represented by its \_\_\_\_\_, acting under the Certified Audit Company’s Articles of Association,

the Certified Audit Company and the Company hereinafter collectively referred to as the “**Parties**” or each separately - “**Party**”,

have concluded the following agreement, hereinafter referred to as the “**Agreement**”:

**1. The subject of the Agreement**

1.1. The Certified Audit Company undertakes to carry out an audit of the Company’s financial statements for the period started on 28 October 2014 and ended on 31 December 2015 prepared under the Annual Accounts Act, hereinafter referred to as the “**Financial Statements**”.

The Audit shall be carried out in accordance with International Standards on Auditing issued by International Federation of Accountants, the Certified Auditors Act and the provisions of this Agreement.

1.2. The Certified Audit Company undertakes to carry out an audit of the project expenditure of the EU Connecting Europe Facility (CEF) funded project “Development of a 1435mm standard gauge railway line in the Rail Baltic / Rail Baltica (RB) corridor through Estonia, Latvia and Lithuania”, Action No. 2014-EU-TMC-0560-M (Grant Agreement INEA/CEF/TRAN/M2014/1045990).

The auditor has to obtain assurance that:

- 1.2.1. procurement procedures are applied in accordance with legislative requirements and internal rules of the Company;
- 1.2.2. the eligible portion of the costs that will be financed by the CEF funds are determined in accordance with the Grant Agreement;
- 1.2.3. project costs, including eligible costs corresponds to the amounts recorded in the accounts of the Company;
- 1.2.4. books and accounting statements comply with legislative requirements and best professional practice standards;
- 1.2.5. costs incurred pursuant to the project budget set out by the Grant Agreement, as well as the total amount of eligible costs does not exceed the amount specified in the Grant Agreement. The Auditor has to carry out comparison of costs with supporting documents (contracts with contractors, contractors issued invoices, bills of lading, money orders or bank account statements) and terms of the Grant Agreement;
- 1.2.6. on the basis of statistical sampling methods verify that fixed assets, transactions and account balances with contractors are reflected accurately and completely.

Both audits under Clause 1 shall hereinafter be referred to as the „Audit”.

## 2. Responsibilities of the Company

- 2.1. The Company's management shall be responsible for ensuring that the Company keeps accounting records in accordance with the laws of the Republic of Latvia and indicating the Company's financial position with reasonable accuracy at any time, for selecting and applying appropriate accounting policies and making accounting estimates that are appropriate in the circumstances.
- 2.2. The Company's management shall be responsible for designing, implementing and maintaining internal control sufficient to permit the preparation of the Financial Statements that are free from misstatement (due to fraud or error) and for preparing the Financial Statements.
- 2.3. The Company's management shall be responsible for making available to the Auditors all the necessary Company's accounting records and related information and a list of personnel to whom the Auditors may direct inquiries, as well as calculations and all other relevant records necessary to carry out the Audit, including minutes of all meetings of the Supervisory Board, Management Board and Shareholders Meetings. The Auditor may request additional information necessary to perform the duties stipulated in this Agreement.
- 2.4. The Company agrees to ensure that its Management Board members and other officials are available to provide practical assistance and explanations during the Audit process.
- 2.5. During the planning stage of the Audit, the Company and the Auditors shall agree on the range of information and supporting documents, hereinafter referred to as the "**Client Assistance Schedule**", draft Financial Statements to be made available by the Company to the Auditors and a timetable for delivery of the said documents and information to the Auditors. The Auditors shall be entitled upon necessity to supplement or change the Client Assistance Schedule at any stage of the Audit.
- 2.6. The Company shall be responsible for meeting the Client Assistance Schedule and for making duly available to the Auditors the qualitative draft Financial Statements compliant with the laws of the Republic of Latvia in order to enable the Auditors to efficiently conduct the Audit of the Financial Statements.
- 2.7. The Company shall deliver the draft Financial Statements to the Auditors by - February 2016.
- 2.8. The Company shall ensure the provision of appropriate working conditions for the Certified Audit Company's personnel and the Certified Auditor in Charge at the Company's premises during the Audit.

## 3. Responsibilities of the Auditors

- 3.1. In accordance with this Agreement the Certified Audit Company appoints a certified auditor responsible for the provision of the Audit services, hereinafter referred to as the "**Certified Auditor in Charge**", and notifies the Company of its appointment. The Certified Audit Company and the Certified Auditor in Charge shall hereinafter collectively be referred to as the "**Auditors**".
- 3.2. The Certified Audit Company confirms that none of the circumstances specified in section 26(2) of the Certified Auditors Act is relevant to it at the time of entering into this Agreement. The Certified Audit Company shall appoint the Certified Auditor in Charge to whom none of the circumstances specified in section 26(2) of the Certified Auditors Act is relevant.
- 3.3. In accordance with the requirements of the Certified Auditors Act and professional duties of the Auditors, the Auditors must prepare a report to the Company's shareholders on whether the audited Financial Statements give a true and fair view of the Company's financial position as at the end of the reporting year and of its profit or loss and cash flows for the reporting year in accordance with the requirements of the Annual Accounts Act, hereinafter referred to as the "**Auditor's Report on Financial Statements**".
- 3.4. The Auditor's Report on Financial Statements shall be signed by the Certified Auditor in Charge and by an official acting on behalf of the Certified Audit Company.

- 3.5. The Auditors reserve the right to determine the content and wording of the Auditor's Report on Financial Statements, including a finding that it is not possible to issue any opinion.
- 3.6. The Auditors' professional duties include reporting to the Company's shareholders if the Financial Statements fail to comply with the Annual Accounts Act, except where any deviation from the said requirements may be justified by the criteria listed below. In determining whether a deviation is justified, the Auditors shall consider:
  - 3.6.1. whether such deviation is required in order for the Financial Statements to give a true and fair view of the Company's financial position as at the end of the reporting year and of its profit or loss and cash flows for the reporting year;
  - 3.6.2. whether adequate disclosure and justification of such deviation have been included in the Financial Statements.
- 3.7. In preparing the Auditor's Report on Financial Statements the Auditors must consider the following matters and report to the shareholders and the management respectively on any weaknesses or deficiencies:
  - 3.7.1. whether proper accounting records have been kept by the Company and whether adequate returns for the Audit purposes have been received from the Company's branches not visited by the Auditors;
  - 3.7.2. whether the Financial Statements conform with the accounting records and the Company's branch returns;
  - 3.7.3. whether all information necessary for the Audit purposes has been obtained; and
  - 3.7.4. whether the information given in the Director's report is consistent with the Financial statements.

In addition to the information above the Auditors depending on the circumstances shall consider any other factors, if this is necessary for preparing the Auditor's Report on Financial Statements.

- 3.8. If the draft Financial Statements do not comply with the quality criteria as stated in this Agreement, the Auditors shall have the right to return the draft Financial Statements without further examination to the Company for eliminating the mistakes. If the Company in this situation decides not to carry out adjustments to the Financial Statements, the Auditors shall disclose the identified deficiencies, if considered to be material, in the Auditors' report on the Financial Statements.
- 3.9. The Auditors shall carry out an examination of draft Financial Statements submitted by the Company and shall provide recommendations for necessary adjustments. If, after examination of draft Financial Statements carried out by Auditors, the Company shall carry out any additional adjustments to the draft Financial Statements subject to Auditors' examination, then the Auditors shall charge the Company an additional fee for this repeated examination of draft Financial Statements based on the actual additional time spent and hourly rate specified in Clause 10.5 of this Agreement.
- 3.10. The Auditor's Report on audit of the project expenditure of the EU Connecting Europe Facility (CEF) funded project shall be signed by the Certified Auditor in Charge and by an official acting on behalf of the Certified Audit Company.

#### **4. Responsibilities in respect of tax**

- 4.1. The Company shall be responsible for ensuring that the Company complies in full with all the requirements of Latvian tax laws, for timely filing of all tax returns, and for making adequate and timely payments of tax.

- 4.2. The objective of the Auditors' examination of tax is to obtain evidence that the amounts in respect of tax balances recorded in the Financial Statements are not materially misstated in relation to the Financial Statements taken as a whole. The Audit shall not be designed to discover any errors or omissions, which may exist with respect to the Company's tax position or certain tax types in particular.
- 4.3. The Auditors shall accept no responsibility whatsoever for the failure by the Company to comply with any requirements of tax laws.
- 4.4. This Agreement does not constitute an agreement to perform a tax audit. If the Company requires an audit of the Company's tax position, the terms and conditions of any such assignment shall be set out in a separate agreement.

## **5. Audit**

- 5.1. The Audit shall be conducted in line with the International Standards on Auditing issued by International Federation of Accountants and with the laws of the Republic of Latvia. The International Standards on Auditing require that Auditors comply with ethical requirements, plan and perform the Audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.
- 5.2. The Audit shall include examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements, assessing appropriateness of accounting principles used and the reasonableness of significant estimates made by management of the Company, and evaluating the overall Financial Statements presentation.
- 5.3. The Auditors shall obtain an understanding of the accounting system and the internal financial control system to the extent necessary in order to ascertain whether the systems form an adequate basis for preparing the Financial Statements. The nature and extent of the Audit procedures shall depend on the Auditors' assessment of the Company's accounting system and, where the Auditors wish to place reliance on it, of the internal financial control system. Because of the test nature and other inherent limitations of the Audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.
- 5.4. The Audit shall be carried out in accordance with the Audit plan devised in advance by the Auditors. If necessary, the Auditors may change the Audit plan by modifying the Audit approach as the circumstances dictate.
- 5.5. The Audit includes assessing any judgements and forecasts made by the Company's management in preparing the Financial Statements, and whether the accounting system and accounting policies are adequate and whether the accounting policies are consistently applied and adequately disclosed in the Financial Statements.
- 5.6. The International Standards on Auditing require that the Auditors read any annual report and other document that contains the Auditors report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the Financial Statements. The Auditors shall assume no obligation to perform procedures to verify such other information as part of their Audit.
- 5.7. The Financial Statements shall be prepared in Latvian and English. In all matters of interpretation of information, views or opinions, the Latvian language version of the Financial Statements shall prevail.

## **6. Management representations**

- 6.1. The information used by the Management Board of the Company in preparing the Financial Statements shall invariably include some facts and judgements not recorded in the accounting system. As part of their Audit, the Auditors may request the Company's management or other officials in charge to confirm in writing such facts and judgements or any other verbal representations made in the course of the Audit on matters having a material effect on the evaluation of the Financial Statements. The Auditors shall also ask the Management Board members of the Company to confirm in writing that all important and relevant information has been brought to the Auditors' attention.
- 6.2. In view of the Auditors' rights conferred by the Groups of Companies Act regarding the controlling company and other companies grouped with the controlling company, the Company's management shall ensure that the Auditors may exercise the said rights.

## **7. Detection and prevention of fraud, error and non-compliance with laws**

- 7.1. The Company's management shall be responsible for the development and maintenance of adequate accounting and internal control systems in accordance with the laws of the Republic of Latvia, for monitoring and safeguarding the Company's assets and for preventing and detecting any fraud and error. The Company's management shall be responsible for ensuring compliance of the Company's operations with the laws of the Republic of Latvia.
- 7.2. The Auditors shall design the Audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud, or any other non-compliance with the laws that would have a material effect on the Financial Statements. The Audit shall not include a detailed audit of transactions; such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the Financial Statements. The Auditors cannot ensure that errors, fraud or other illegal acts, if present, shall be detected. However, the Auditors shall communicate to the Company any illegal act, material errors, or evidence that fraud may exist identified during the Audit.

## **8. Reports to management**

- 8.1. The Audit is not designed to identify all weaknesses in the Company's system of internal financial controls. However, the Auditors shall report to the Management Board of the Company in writing those significant weaknesses in the Company's internal financial control system or other business matters which come to the Auditors' notice in the course of the Audit work and which, in the Auditors' view, require the management's and the Supervisory Board's attention. Such weaknesses shall be reported in the Management Letter.
- 8.2. In making risk assessments, the Auditors shall consider internal control relevant to the Company's preparation of the Financial Statements in order to design the Audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The Management Letter shall not therefore necessarily address all possible improvements to the system which might be suggested as a result of a special audit of the internal financial control system.
- 8.3. The Management Letter or any part or copy thereof may not be provided to any third party without the Auditors' prior written consent, except for cases provided under Latvian statutory requirements. In any case the Company acknowledges that the Management Letter is not prepared with the interests of anyone other than the Company's management, the Supervisory Board and the shareholders and that the Auditors accept no duty or responsibility to any third party.

## 9. The procedure of work

- 9.1. The interim Audit shall commence on [REDACTED] 2016 and the final Audit shall commence on [REDACTED] 2016 with the aim of preparing and issuing the Auditor's Report on Financial Statements in time-limits agreed by both Parties after the appropriate draft Financial Statements are made available to the Auditors as specified in this Agreement.
- 9.2. If the Company has complied with the requirements specified in this Agreement for making available the draft Financial Statements to the Auditors, the Auditor's Report on Financial Statements shall be prepared and submitted by March 31, 2016.
- 9.3. The Management Letter shall be prepared and submitted by March 31, 2016.
- 9.4. The Auditor's Report on Financial Statements shall be prepared in Latvian and English. In all matters of interpretation of information, views or opinions, the Latvian language version of the Auditor's Report on Financial Statements shall prevail.

The Management Letter shall be prepared in English.

- 9.5. The Auditor's Report on audit of the project expenditure of the EU Connecting Europe Facility (CEF) funded project shall be prepared in Latvian and English. In all matters of interpretation of information, views or opinions, the Latvian language version of the Auditor's Report shall prevail.
- 9.6. Both Parties must immediately inform each other of any matter they encounter which may prevent the timely performance of any obligation under this Agreement.
- 9.7. If the Company delays the performance of any obligation specified in this Agreement, the Audit period may be extended respectively.
- 9.8. The Audit shall be considered complete when the Auditors sign: (i) the Auditor's Report on Financial Statements and (ii) The Auditor's Report on audit of the project expenditure of the EU Connecting Europe Facility (CEF) funded project.

## 10. Fees and terms of payment

- 10.1. The total fee for the Audit shall be EUR [REDACTED] ([REDACTED]), excluding VAT. Including, as stipulated in the clause 1 of this agreement, the fee for the audit of the Company's financial statements EUR [REDACTED] ([REDACTED]), excluding VAT, and fee for the audit of the project costs of the EU Connecting Europe Facility (CEF) funded project EUR [REDACTED] ([REDACTED]), excluding VAT.
- 10.2. This amount shall be invoiced to the Company according to the following schedule:
  - 10.2.1. EUR [50% - by signing the agreement] plus VAT
  - 10.2.2. EUR [50% - after completion of the auditor's assurance service] plus VAT
- 10.3. The Company shall pay the invoices for the Audit within 10 (ten) days of the issue date. If the whole or any part of the invoice remains unpaid by the end of this period, the Certified Audit Company may charge interest on arrears at 0.1% from the unpaid sum per day.
- 10.4. The fee for the Audit is quoted on the basis that the Client Assistance Schedule is followed accordingly and that the draft Financial Statements are delivered to the Auditors to an acceptable standard and in accordance with the agreed timetable. The Auditors shall advise the Company of any deficiencies in performance of this requirement.
- 10.5. To the extent that the Auditors incur additional costs either through delays or additional work, such costs shall be chargeable to the Company as additional fees charged at the Auditors' normal rates in the amount of EUR [REDACTED]. Such additional fees shall be assessed immediately after the completion of the Audit. They shall be due for payment within 10 (ten) days of the date of an invoice.

- 10.6. In addition, if the Company has not complied with the requirements specified in this Agreement, the Auditors shall not be liable for delay in meeting the timetable specified in this Agreement.

## **11. Confidentiality**

- 11.1. The Auditors undertake without prior written confirmation of the Company not to disclose to third persons any information concerning the Company, the controlling company or any other company grouped with the controlling company or the Company's customers which they acquire in the course of the Audit and which reasonably might be understood as confidential information. The Auditors shall advise its employees and other persons involved in the implementation of this Agreement on the obligation to protect the confidential information.
- 11.2. Within the framework of this Agreement the information shall not be treated as confidential information, if:
- 11.2.1. it is rightfully known to the Auditors prior to its disclosure by the Company;
  - 11.2.2. it is released by the Company to any third person without restriction;
  - 11.2.3. it is independently developed by the Auditors without reliance on confidential information submitted by the Company;
  - 11.2.4. it enters the public domain without breach of confidentiality clauses included in this Agreement;
  - 11.2.5. it may be lawfully obtained by the Auditors from any third person.
- 11.3. Nothing in this Agreement shall prevent the Auditors from disclosing confidential information to third persons without prior written consent by the Company, if such obligation is specified in the laws of the Republic of Latvia.
- 11.4. Nothing in this Agreement shall prevent the Auditors from disclosing confidential information to third persons involved in the Audit, including its professional advisors, enterprises within the worldwide network, where each enterprise acts as separate and independent legal entity, as well as in exceptional cases any other third person whose services the Certified Audit Company uses for the purposes of risk management, business management, quality management and other alike purposes. The confidential information shall be disclosed provided that the persons to whom such information is disclosed are informed of its nature and enter into a confidential undertaking with the same terms hereto.
- 11.5. The Company undertakes to keep confidential the methodology of the Audit carried out by the Auditors.
- 11.6. Without prejudice to the confidentiality obligations of the Auditors, the Auditors may disclose the name and logo of the Company as an evidence of their experience, when providing similar services to other clients.
- 11.7. According to the laws applicable to the Auditors, the Auditors may be required to report to the responsible authorities, if during the Audit the Auditors have suspicions or have reasonable grounds to consider that certain activities may be regarded as a crime, terrorist financing, money laundering or are not compliant with applicable laws in any other way. In such cases the Auditors accept no liability for any damages incurred by the Company or any third persons in relation to the obligation of the Auditors to report. In case of doubts it shall be assumed that the Auditors have acted in good faith.

## **12. Personal Data Protection**

- 12.1. The Parties confirm they are advised that the personal data submitted by the other Party, if it is necessary for implementation of this Agreement, may be processed in accordance with applicable laws and solely for purposes stated in this Agreement and for effective co-operation of the Parties.
- 12.2. The Parties undertake to adequately protect the personal data submitted by the other Party in accordance with the applicable laws.
- 12.3. The Parties undertake not to disclose the personal data submitted by the other Party to third persons, unless the other Party has specifically asked to do that. If in accordance with the applicable laws either Party has an obligation to disclose the personal data to third persons, it shall promptly inform the other Party thereof, unless it is prohibited by the applicable laws.
- 12.4. The Parties undertake to delete and destroy all the personal data submitted by the other Party as soon as necessity for them ceases to exist.
- 12.5. If either Party has an obligation to submit the personal data to other Party, it shall confirm that it has authority to act as agent for data subject with regard to processing of personal data within the framework of this Agreement.

## **13. Limitations to liability of the Auditors**

- 13.1. The Auditors shall exercise all reasonable skill, care and diligence in the performance of the services and shall carry out all its responsibilities to recognised professional standards. The Certified Audit Company as an employer, its employees and subcontractors while working in the Republic of Latvia will respect the applicable laws of the Republic of Latvia.
- 13.2. Any oral comments by the Auditors or any draft reports shall not constitute the final opinion in respective matter; the final opinion shall be included only in the written versions of the Auditor's Report on Financial Statements.
- 13.3. The Auditors shall be liable to the Company for any loss or damage directly caused by the Auditors' breach of their contractual obligations or the Auditors' gross negligence, except where the Company itself could have prevented such loss or damage by applying due care.
- 13.4. To the extent permitted by the applicable laws the liability of the Auditors shall not exceed the lesser of double the fees charged or the actual damage caused to the Company. The Parties agree that the Auditors shall not be held liable for any indirect damage and any loss of profits.
- 13.5. The Auditors shall not be liable for the loss incurred by the Company due to delay, negligence or carelessness in providing the information to the Auditors, malevolent acts or omissions, providing of false information or an intentional non-fulfilment of obligations by the Company, its directors or any related parties.

## **14. Service quality**

- 14.1. If at any time the Company would like to discuss with the Auditors how the service to the Company could be improved, the Company should contact [REDACTED] as the Certified Audit Company's representative. The Auditors undertake to look into any complaint carefully and promptly and to provide the Company with their explanations. If the Auditors have given the Company a less than satisfactory service, they shall do everything reasonable to rectify this.

## **15. Publication or disclosure to third parties of the results of the Audit**

- 15.1. The deliverables of the Audit of the Certified Audit Company are intended for the benefit of those to whom they are addressed. The Audit shall not be planned or conducted in contemplation of reliance by any third party. Therefore, items of possible interest to a third party shall not be specifically addressed and matters may exist that would be assessed differently by a third party.
- 15.2. The Company without prior written confirmation of the Auditors may not include the Auditor's Report on the Financial Statements or any reference to the Auditors in a stock offering document. Any agreement to perform work in connection with a stock offering, including an agreement to provide such permission or consent, shall be a separate engagement and subject to a separate written agreement.

## **16. Ownership of and access to the Audit files**

- 16.1. The working papers and files created by the Auditors in the course of the Audit within the framework of this Agreement, including electronic documents and files, are the sole property of the Certified Audit Company.

## **17. Use of the Auditors' software**

- 17.1. The Auditors may develop software, including spreadsheets, documents, databases and other electronic tools to assist with their assignments.
- 17.2. The Certified Audit Company may upon request by the Company provide it with the use of these aids. As these tools are developed specifically for the Auditors' purposes and without consideration of any purpose for which the Company might use them, they are made available on an "as is" basis for the Company's use only and should not be distributed to or shared with any third person. Further, the Auditors make no representations or warranties as to the sufficiency or appropriateness of the software tools for any other purpose for which the Company may use them.

## **18. Electronic data transmission**

- 18.1. The Parties are aware that in using electronic communications, they are unable to control the security, availability and operational aspects of the internet. Thus it is not possible to guarantee the electronic sending of information which is permanent, continuous or protected against any illegal activities of third persons.
- 18.2. The Parties agree that:
  - 18.2.1. the Parties are unable to guarantee that any information or document sent via electronic communications shall reach the other Party by the agreed deadline;
  - 18.2.2. the Parties are unable to guarantee that any information or documents sent via electronic communications by the other Party shall not be intercepted or used by any third party or that such information shall reach the other Party's e-mail address;
  - 18.2.3. the Parties are unable to guarantee that any information sent to the other Party electronically shall be protected from third parties or that the confidentiality of such information shall be preserved.
- 18.3. The Parties shall not be held liable for any unauthorised access to any information or documents which the other Party sends electronically, nor can the Parties be held liable for any unauthorised changes made to such documents or information.

- 18.4. The Parties shall only use software which is standard, legally available and equipped with computer virus controls in relation to any document which they send to the other Party, however the Parties do not guarantee that any information and/or document sent electronically shall be free of computer viruses or other harmful components.
- 18.5. The Parties shall carry out appropriate procedures to protect data integrity; in particular, it is the recipient Party's responsibility to run a virus check on any attachment before launching any document, whether received on disk, attached to e-mail or otherwise. If a virus enters the recipient Party's systems in connection with electronic data transmission, it shall not hold the other Party liable for any resulting damage. Each Party shall waive any claims against the other Party arising in this connection.

## **19. Force Majeure**

- 19.1. Neither Party shall be responsible for the non-performance of any obligation under this Agreement occasioned by any causes beyond its control, hereinafter referred to as "**Force Majeure**".
- 19.2. Each Party shall notify each other of the commencement of any Force Majeure as soon as possible and shall agree on an extension to any time limit set by this Agreement or on termination of the Agreement.

## **20. Final provisions**

- 20.1. The Agreement enters into force once it has been signed by both Parties and shall be valid until the date when both Parties or either Party terminates it, or when the Parties have fulfilled the obligations of this Agreement.
- 20.2. The provisions of this Agreement may be amended or supplemented at any time by a written agreement between the Parties. In such case, the written agreement becomes an integral part of this Agreement.
- 20.3. Either Party may unilaterally terminate the Agreement in cases specified by the Certified Auditors Act by giving at least 30 (thirty) days written notice to the other Party.
- 20.4. Notwithstanding the conditions of clause 22.3 above, the Auditors may unilaterally terminate the Agreement with immediate effect by giving written notice to the Company if:
- 20.4.1. a decision has been taken to put the Company into liquidation or cease the activities of the Company;
- 20.4.2. insolvency process has been instituted against the Company.
- 20.5. If the Agreement is terminated, the Company shall pay the Auditors all fees in respect of all services provided under this Agreement up to the date of termination of this Agreement.
- 20.6. The relationship between the Parties under this Agreement shall be governed by and construed in accordance with the laws of the Republic of Latvia.
- 20.7. All disputes and disagreements are solved by mutual negotiation of the Parties. If such disputes or disagreements cannot be solved by mutual negotiation in 30 (thirty) days, any dispute or disagreement arising out of or in connection with this Agreement shall be adjudicated by the general jurisdiction courts of the Republic of Latvia according to the laws of the Republic of Latvia.

This Agreement is prepared and concluded in English in two copies of equal legal force, one for each Party.

This Agreement is signed in Riga on                      2016.

The addresses and signatures of the Parties:

**The Company:**

RB Rail AS  
Reg. No. 40103845025  
3 Gogoļa iela  
Rīga, LV-1050, Latvia

**The Certified Audit Company:**

\_\_\_\_\_  
License No. \_\_\_\_\_  
Reg. No. \_\_\_\_\_  
\_\_\_\_\_  
Rīga, LV-\_\_\_\_\_, Latvia

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Baiba A. Rubesa  
Member of the Board

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\_\_\_\_\_ of the Board