

**ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"**

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2005. g. 01.07. balance Sheet

0.702804

<b>ASSETS</b>				
	<b>01. 07. 2005. g.</b>		<b>01. 07. 2004.g.</b>	
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b>NON CURRENT ASSETS</b>				
<b>Property, plant and equipment:</b>				
Land, buildings and networks	2 170 009	3 087 645	2 269 663	3 229 440
Machinery and equipment	333 784	474 932	337 579	480 332
Other property, plant and equipment	101 497	144 417	131 927	187 715
Construction in progress	27 180	38 674	24 541	34 919
<b>Total property, plant and equipment</b>	<b>2 632 470</b>	<b>3 745 667</b>	<b>2 763 710</b>	<b>3 932 405</b>
Total investments	0	0	33 971	48 336
<b>Total</b>	<b>0</b>	<b>0</b>	<b>33 971</b>	<b>48 336</b>
<b>Total non current assets</b>	<b>2 632 470</b>	<b>3 745 667</b>	<b>2 797 681</b>	<b>3 980 741</b>
<b>CURRENT ASSETS</b>				
<b>Inventory</b>	<b>5 611 840</b>	<b>7 984 929</b>	<b>1 517 995</b>	<b>2 159 912</b>
<b>Debtors:</b>				
Trade accounts receivable	2 448 884	3 484 448	2 228 930	3 171 482
Other accounts receivable	262 566	373 598	228 070	324 514
Short-term loans	2 860	4 069	4 788	6 813
<b>Total debtors:</b>	<b>2 714 310</b>	<b>3 862 115</b>	<b>2 461 788</b>	<b>3 502 809</b>
<b>Cash and cash equivalents</b>	<b>127 684</b>	<b>181 678</b>	<b>50 752</b>	<b>72 214</b>
<b>Total current assets</b>	<b>8 453 834</b>	<b>12 028 722</b>	<b>4 030 535</b>	<b>5 734 935</b>
<b>TOTAL ASSETS</b>	<b>11 086 304</b>	<b>15 774 389</b>	<b>6 828 216</b>	<b>9 715 676</b>

President

A. Šilovs

2005. gada 15.08.

**ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"**

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2005. g. 01. 07. balance Sheet

0.7028

<b>LIABILITIES</b>				
	<b>01. 07. 2005. g.</b>		<b>01. 07. 2004. g.</b>	
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b>SHAREHOLDER' EQUITY</b>				
Share capital	8 294 219	11 801 678	8 294 219	11 801 678
Topheavy reserves	825 080	1 173 990	965 750	1 374 146
Previous year unappropriated result	-5 383 732	-7 660 404	-4 350 458	-6 190 179
Current year unappropriated result	581 486	827 385	-670 315	-953 778
<b>Total shareholders' equity</b>	<b>4 317 053</b>	<b>6 142 648</b>	<b>4 239 196</b>	<b>6 031 867</b>
<b>ACCUMULATION</b>				
Accumulation	85 771	122 042	0	0
<b>LONG-TERM LIABILITIES</b>				
Long-term loan from credit institution	2 147 453	3 055 568	952 152	1 354 798
<b>Total long-term liabilities</b>	<b>2 147 453</b>	<b>3 055 568</b>	<b>952 152</b>	<b>1 354 798</b>
<b>CURRENT LIABILITIES</b>				
Creditors' equity	323 572	460 404	613 319	872 679
Advances from customers	2 107 932	2 999 334	384 761	547 469
Trade accounts payable	1 753 022	2 494 340	136 341	193 997
Covered by taxes	162 137	230 701	267 394	380 470
Other liabilities	189 364	269 442	235 053	334 452
<b>Total current liabilities</b>	<b>4 536 027</b>	<b>6 454 222</b>	<b>1 636 868</b>	<b>2 329 067</b>
<b>Total</b>	<b>6 683 480</b>	<b>9 509 789</b>	<b>2 589 020</b>	<b>3 683 865</b>
<b>TOTAL LIABILITIES</b>	<b>11 086 304</b>	<b>15 774 479</b>	<b>6 828 216</b>	<b>9 715 731</b>

President :

A. Šilovs

2005. g. 15.08.

# ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

Profit and account

2005, g, for 6 month

0.702804

	for 6 month 2005. g.		for 6 month 2004. g.	
	LS	EUR	LS	EUR
<b>NET SALES</b>	<b>10 142 685</b>	<b>14 431 741</b>	<b>5 428 042</b>	<b>7 723 408</b>
Cost of sales	8 766 233	12 473 226	5 477 479	7 793 750
<b>GROSS PROFIT (LOSS)</b>	<b>1 376 452</b>	<b>1 958 515</b>	<b>-49 437</b>	<b>-70 343</b>
Sales and distribution expenses	30 062	42 774	19 532	27 792
Administrative expense	481 629	685 296	534 978	761 205
Other operating income	346 429	492 924	110 658	157 452
Other expenses	597 258	849 822	154 731	220 162
<b>RESULT FROM OPERATING ACTIVITIES</b>	<b>613 932</b>	<b>873 547</b>	<b>-648 020</b>	<b>-922 049</b>
<b>RESULT BEFORE TAXES</b>	<b>613 932</b>	<b>873 547</b>	<b>-648 020</b>	<b>-922 049</b>
Corporate income tax	14 778	21 027	8 635	12 286
Other taxes	17 668	25 139	13 660	19 436
<b>NET RESULT FOR THE YEAR</b>	<b>581 486</b>	<b>827 380</b>	<b>-670 315</b>	<b>-953 772</b>

President

A. Šilovs

2005.g 15.08.

ENG

**NOTES**

**Accounting policies**

**(1) General principles**

Annual accounts are prepared in accordance with the laws of the Republic of Latvia "On Accounting" and "On the Annual Accounts of Companies".

The profit and loss account is prepared in accordance with the turnover module.

The statement of cash flows has been prepared using direct/indirect cash flow method.

The accounting policies used by the Company are consistent with those used in the previous accounting period.

**(2) Net sales**

Net sales represent the total of goods and services sold during the year excluding discounts, value added tax and other taxes directly adjusted to sales.

Income is recognized according to the following principles:  
income from operating activities - at the moment of emergence;  
income from fines and overdue money - at the moment of gain;  
dividends - from the moment when arise legal rights to receive them.

**(3) Foreign currency translation into Lats**

The Company maintains its accounts in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia prevailing on the day on which the transactions took place.

Monetary assets and liabilities 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 reporting period. The resulting profit or loss is charged to the profit and loss account.

	<b>30.06.2005.</b>	<b>30.06.2004.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0.583	0.544
1 EUR	0.7028	0.663
1 LTL	0.204	0.192
1 EEK	0.0449	0.0424

**(4) Fixed assets**

Fixed assets are initially recorded at historic cost. In financial statements fixed assets are shown at historic cost or revalued amount of net depreciation. Increase in value arising on revaluation is shown in equity under "Long-term investments revaluation reserve".

Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life period using the following annual rates set by the management:.

	<b>Depreciation % per year</b>
Buildings	1-5
Plant and equipment	5-20
Other fixtures and fittings, motor vehicles	5-35

The Company capitalises its fixed assets valued over Ls 50 with utilization period exceeding 1 year. Low value inventory is recorded at historical cost and charged to expenses 100% after putting into operation.

**(5) Stock**

The stock cost has been determined using the first-in first-out method. Stock is recorded at the lowest market price and net realisable value. Required, slow moving, obsolete or damaged stock has been written down.

Within the production cost of stock are included the costs of used materials and other expenses that are directly connected with the production process as well as a respective part of administrative expenses.

**(6) Accounts receivable**

Accounts receivables are recorded in the balance sheet at their net value, being original invoice amount less provisions made to cover anticipated loss on bad and doubtful accounts receivables. Provisions for bad and doubtful accounts receivables are established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for bad and doubtful accounts receivables is recorded as expenses in current financial year.

Debtors are recorded in the balance sheet at their net value less provisions made to cover anticipated loss on bad and doubtful accounts receivables. Specific provisions for doubtful accounts receivables are made when the recoverability of the specific debtor is considered by the Company's management to be uncertain. Bad debts are charged to the loss for the reporting year.

**(7) Provisions for unused annual leave**

Amount of provision for unused annual leave is determined by multiplying the average wage of employees in the last six months of the reporting year per day by the amount of accrued but unused annual leave at the end of the reporting year.

**(8) Taxation**

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

**(9) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current account with banks, short-term deposits with maturity up to 90 days and bank overdrafts. Bank overdrafts on the balance sheet are included within the item short-term "loans from credit institutions".

**(1) Net sales**

	<b>2005</b>	<b>2004</b>
	<b>Ls</b>	<b>Ls</b>
<b>According to operating activities</b>		
Products production	7 329 934	5 401 622
Diesel locomotive sale	2 572 125	0
And other	240 626	26 420

**According to the location**

Income from export to Russia	1 312 413	753 083
Income from export to Estonia	4 051 781	3 547 598
Income from export to Lithuania	272 673	311 384
Income from export to Belorusia	1 454 167	23 495
Income from export to Uzbekistan	62 111	275 419
Income from export to other states	176 789	490 643
	<b>7 329 934</b>	<b>5 401 622</b>

**(2) Production costs**

Purchase costs	149 135	0
Goods delivery expenses	221 959	246 453
Raw and material expenses	4 815 679	2 294 147
Rent expenses	0	0
Utility expenses	282 218	262 059
Salary expenses	1 646 707	1 446 088
Social insurance	391 873	347 419
Depreciation of fixed assets	144 942	45 914
Other production costs	1 262 855	835 399
	<b>8 766 233</b>	<b>5 477 479</b>

**(3) (3) Selling expenses**

Salary expenses	0	0
Social insurance	0	0
Other social securing expenses	0	0
Rent expenses	0	0
Utility expenses	0	0
Advertising	0	0
Depreciation of fixed assets	0	0
Transportation costs	30 062	19 532
Other selling costs	0	0
	<b>30 062</b>	<b>19 532</b>

**(4) Administrative expenses**

Salary expenses	149 135	222 600
Social insurance	35 519	50 300
Other social security expenses	0	0
Rent expenses	0	0
Office expenses	88 381	72 059
Advertising	2 100	2 200
Representation costs	0	0
Depreciation of fixed assets	35 906	8 405
Depreciation of intangible assets	0	0
Transportation costs	0	0
Professional fees	0	0
Other administrative costs	170 588	179 414
	<b>481 629</b>	<b>534 978</b>

**(5) Other operating income**

Income from fixed assets sale	134 068	0
Income from material's realisation		37 370
Net income from sale of fixed assets	177 918	0
Income from rent charges	6 387	8 009
Other income	28 056	10 254
	<b>346 429</b>	<b>55 633</b>

**(6) Other operating expenses**

Residual value of sold fixed assets	75 408	0
Losses of course exchange	458 181	12 847
Expenses of collective agreement	35 463	36 392
Net loss from sale of fixed assets	24 617	10 368
Pretax applied to expenses	0	23 734
Other expenses	3 089	16 365
	<b>596 758</b>	<b>99 706</b>

**(7) Corporate income tax**

Deferred tax charge	0	0
Corporate income tax charge for the current year	14 778	8 635
	<b>14 778</b>	<b>8 635</b>

According to the tax declarations as at 31 December 2005 the Company had tax losses of Ls 280948, which it can carry forward and utilise in future years. In accordance with the law "On Corporate Income Tax" tax losses carried forward can be covered in chronological order from taxable income during the following five years.

	Tax losses	Expiry term
	Ls	Termiņš
Tax losses of 2001	0	2006
Tax losses of 2002	0	2007
Tax losses of 2003	0	2008
Tax losses of 2004	280 948	2009
Tax losses of 2005	0	2010
	<b>280 948</b>	

**(8) Other taxes**

Real estate tax for land	4 323	3 401
Real estate tax for buildings	13 345	10 259
	<b>17 668</b>	<b>13 660</b>

(9)	Fixed assets	Land and buildings	Leasehold improvements	Equipment and machinery	Other fixed assets and inventory	Fixed assets under construction	Advances for fixed assets	Total
		Ls	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost / Valuation</b>								
	31.12.2004.	3 682 475	0	4 571 597	548 161	27 750	0	<b>8 829 983</b>
	Additions	25 000	0	159 037	39 657	223 125	0	<b>446 819</b>
	Disposals	(70 233)	0	(207 343)	(28 206)	(223 694)	0	<b>(529 476)</b>
	Reclassification	0	0	0	0	0	0	<b>0</b>
	Revaluation	0	0	0	0	0	0	<b>0</b>
	30.06.2005.	3 637 242	0	4 523 291	559 612	27 181	0	<b>8 747 326</b>
<b>Depreciation</b>								
	31.12.2004.	1 447 229	0	4 294 137	445 409	0	0	<b>6 186 775</b>
	Charge for 2004.	34 381	0	90 395	33 180	0	0	<b>157 956</b>
	Disposals	(14 377)	0	(195 025)	(20 474)	0	0	<b>(229 876)</b>
	Reclassification	0	0	0	0	0	0	<b>0</b>
	Corrections for previous year's error	0	0	0	0	0	0	<b>0</b>
	30.06.2005.	1 467 233	0	4 189 507	458 115	0	0	<b>6 114 855</b>
	<b>Net book value 31.12.2004.</b>	<b>2 235 246</b>	<b>0</b>	<b>277 460</b>	<b>102 752</b>	<b>27 750</b>	<b>0</b>	<b>2 643 208</b>
	<b>Net book value 31.12.2005.</b>	<b>2 170 009</b>	<b>0</b>	<b>333 784</b>	<b>101 497</b>	<b>27 181</b>	<b>0</b>	<b>2 632 471</b>
<b>(10) Incomplete products</b>								
	<b>Incomplete products</b>				2 485 803	568 688		
					0	0		
					<b>2 485 803</b>	<b>568 688</b>		
<b>(11) Finished good and goods for sale</b>								
	Finished products on stock				1 192 797	135 843		
	Autoservice							
	Canteen				1 473	1 821		
					<b>1 194 270</b>	<b>137 664</b>		
<b>(12) Trade receivables</b>								
	Registered price of trade debtors				2 448 933	2 228 930		
	Provisions for bad and doubtful trade debtors				0	0		
					<b>2 448 933</b>	<b>2 228 930</b>		



**(5) (13) Other receivables**

VAT overpaid		110 662	78 759
Corporate income tax overpaid	0		0
VAT accepted		98 782	43 378
Housing and Communal Service		11 978	67 990
Payments to personnel		19 118	16 029
Other debtors		21 932	21 914
		<b>262 472</b>	<b>228 070</b>

**(14) Deferred expenses**

Payment for insurance		1 192	671
Magazine subscription fee	0		0
Other expenses		1 668	4 117
		<b>2 860</b>	<b>4 788</b>

**(15) Cash and bank**

Cash in hand		1 358	2 617
Cash at bank		126 331	48 135
		<b>127 689</b>	<b>50 752</b>

**(16) Share capital**

As at 30 Junie 2005 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

**(17) Provisions**

		Provisions for guarantee repair	Provisions for unused annual leave	Total
		Ls	Ls	Ls
<b>01.01.2004.</b>	0	0	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
<b>01.01.2005.</b>	0	0	0	0
Increase	0	0	0	0
Decrease	2 582	58 352	60 934	60 934
<b>30.06.2005.</b>	<b>2 582</b>	<b>58 352</b>	<b>60 934</b>	<b>60 934</b>

**(18) Loans from credit institutions**

<b>Long-term part</b>	0	0
	2 147 453	952 152
	<b>2 147 453</b>	<b>952 152</b>
<b>Short-term part</b>	0	0
	323 572	613 319
	<b>323 572</b>	<b>613 319</b>

The long term loan must be repayed till August, 2016. The monthly payment is 16 400 Ls. The interest rate is 4.09%.

Part of the loans from credit institutions in amount of Ls 323 572 reflects the short-term portion of the loan from Lateko banka repayable in accordance with repayment schedule until 15 September 2005.

As security in case of claims arisen from the signed liability the Company has put in pledge all its assets as a unity at the moment of pledge to A/S "Lateko banka" in sum 7 737 833 Ls.

(19) **Advances received from consumers.**

Russia	1 988 266	146 702
Estonia	80 984	236 321
Other	38 454	1 738
	<b>2 107 704</b>	<b>384 761</b>

(20) **Trade payables**

<b>Long-term part</b>	0	0
	0	0
	<b>0</b>	<b>0</b>
<b>Short-term part</b>	0	0
	1 753 022	136 341
	<b>1 753 022</b>	<b>136 341</b>

(21) **Taxes and social insurance**

	01.01.2005.	Calculated	Calculated penalty fees	(Paid)/ repaid	Transferred to/ from other taxes	01.06.2005.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	61 069	302 697	784	875 263	400 051	(110 662)
Payroll tax	59 476	334 882	0	306 541	(31 591)	56 226
Social insurance	99 649	616 204	0	242 900	(368 460)	104 493
Corporate income tax	(34 541)	49 319	22 063	36 841	0	0

Real estate tax (land)	0	4 323	0	4 323	0	0
Real estate tax (buildings)	(40)	13 345	0	13 305	0	0
Natural resource tax	697	7 369	0	7 340	0	726
The state tax for company's bussines	753	4 300	0	4 361	0	692
<b>Total</b>	<b>187 063</b>	<b>1 332 439</b>	<b>22 847</b>	<b>1 490 874</b>	<b>0</b>	<b>51 475</b>
Hereof						
<b>Liabilities/</b>	<b>0</b>					<b>0</b>
<b>(Overpaid)</b>	<b>187 063</b>					<b>51 475</b>

Tax incentives and allowances.

(22) Average number of employees	2005	2004
Vidējais uzņēmumā nodarbināto skaits pārskata gadā	0	0

\_\_\_\_\_  
 EVGENY FILIPPOV  
 general director

The annual report has been approved by the general meeting of members \_\_\_\_\_ 2006

Chairman of the general meeting \_\_\_\_\_