

ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2006 year 01.01. balance Sheet

0.702804

ASSETS				
	01. 01.2006.		01. 01.2005.	
	LTV	EUR	LTV	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	2 176 596	3 097 017	2 235 246	3 180 469
Machinery and equipment	532 776	758 072	277 462	394 793
Other property, plant and equipment	79 153	112 625	102 752	146 203
Construction in progress	85 481	121 629	27 750	39 485
Total property, plant and equipment	2 874 006	4 089 342	2 643 210	3 760 949
Total investments	0	0	0	0
Total	0	0	0	0
Total non current assets	2 874 006	4 089 342	2 643 210	3 760 949
CURRENT ASSETS				
Inventory	5 781 421	8 226 221	3 832 821	5 453 613
Debtors:				
Trade accounts receivable	2 897 487	4 122 753	1 825 835	2 597 929
Other accounts receivable	185 036	263 283	137 628	195 827
Short-term loans	10 479	14 910	9 386	13 355
Total debtors:	3 093 002	4 400 945	1 972 849	2 807 111
Cash and cash equivalents	5 777 658	8 220 867	781 788	1 112 384
Total current assets	14 652 081	20 848 033	6 587 458	9 373 108
TOTAL ASSETS	17 526 087	24 937 375	9 230 668	13 134 057

President

A. Šilovs

2006, gada 27.02.

ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2006.01.01. balance Sheet

0.7028

LIABILITIES				
	01.01.2006.		01.01.2005.	
	LTV	EUR	LTV	EUR
SHAREHOLDER' EQUITY				
Share capital	8 294 219	11 801 678	8 294 219	11 801 678
Topheavy reserves	786 913	1 119 683	1 003 243	1 427 494
Previous year unappropriated result	-5 406 316	-7 692 538	-4 350 458	-6 190 179
Current year unappropriated result	30 457	43 337	-1 033 274	-1 470 225
Total shareholders' equity	3 705 273	5 272 159	3 913 730	5 568 768
ACCUMULATION				
Accumulation	1 013 828	1 442 555	146 705	208 744
LONG-TERM LIABILITIES				
Long-term loan from credit institution	2 258 876	3 214 109	1 900 662	2 704 414
Total long-term liabilities	2 258 876	3 214 109	1 900 662	2 704 414
CURRENT LIABILITIES				
Creditors' equity	301 364	428 805	186 558	265 450
Advances from customers	1 338 949	1 905 164	2 317 699	3 297 807
Trade accounts payable	8 441 984	12 011 929	379 553	540 058
Covered by taxes	259 086	368 648	221 644	315 373
Other liabilities	206 727	294 148	164 117	233 519
Total current liabilities	10 548 110	15 008 694	3 269 571	4 652 207
Total	12 806 986	18 222 803	5 170 233	7 356 621
<u>TOTAL LIABILITIES</u>	<u>17 526 087</u>	<u>24 937 517</u>	<u>9 230 668</u>	<u>13 134 132</u>

President :

A. Šilovs

ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

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Address Daugavpils, Marijas iela 1

Profit and account

2005, g, for 12 months

0.702804

	for 12 months 2005. g.		for 12 months 2004. g.	
	LS	EUR	LS	EUR
NET SALES	25 359 355	36 083 111	10 839 288	15 422 917
Cost of sales	<u>23 855 198</u>	33 942 889	<u>10 381 991</u>	14 772 242
GROSS PROFIT (LOSS)	1 504 157	2 140 223	457 297	650 675
Sales and distribution expenses	84 151	119 736	43 834	62 370
Administrative expense	949 955	1 351 664	1 088 368	1 548 608
Other operating income	480 579	683 802	209 702	298 379
Other expenses	788 789	1 122 346	538 682	766 475
RESULT FROM OPERATING ACTIVITIES	161 841	230 279	-1 003 885	-1 428 400
RESULT BEFORE TAXES	161 841	230 279	-1 003 885	-1 428 400
Corporate income tax	92 720	131 929	0	0
Other taxes	38 664	55 014	29 389	41 817
NET RESULT FOR THE YEAR	30 457	43 336	-1 033 274	-1 470 216
Factor of profit on the action	0.004	0.004		

President

A. Šilovs

2006.27. 02.

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.

	31.12.2005.	31.12.2004.
	Ls	Ls
1 USD	0.593	0.516
1 EUR	0.7028	0.703
1 LTL	0.204	0.203
1 EEK	0.0449	0.0449

(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:

	Depreciation % per year
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	2005	2004
	Ls	Ls
According to operating activities		
Products production	16 786 700	10 787 451
Diesel locomotive sale	7 972 293	0
And other	600 362	51 837
	<u>25 359 355</u>	<u>10 839 288</u>
According to the location		
Income from export to Latvia	2 248 200	1 554 199
Income from export to Russia	1 521 800	5 843 050
Income from export to Estonia	1 294 800	856 504
Income from export to Lithuania	4 956 400	986 515
Income from export to Belorussia	182 100	547 046
Income from export to Uzbekistan	688 400	888 687
Income from export to other states	5 895 000	111 450
	<u>16 786 700</u>	<u>10 787 451</u>
(2) Production costs		
Purchase costs	293 725	0
Goods delivery expenses	420 654	454 432
Row and material expenses	10 144 568	5 146 772
Purchase of diesel locomotives	7 919 311	0
Utility expenses	542 036	500 916
Salary expenses	3 429 491	3 296 072
Social insurance	813 197	785 980
Depreciation of fixed assets	222 806	99 622
Other production costs	363 135	98 197
	<u>23 855 198</u>	<u>10 381 991</u>
(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	84 151	43 834
Other selling costs	0	0
	<u>84 151</u>	<u>43 834</u>

(4) Administrative expenses

Salary expenses	293 725	455 100
Social insurance	70 432	102 400
Other social security expenses	0	0
Rent expenses	0	0
Office expenses	220 084	225 300
Advertising	3 468	2 678
Representation costs	4 559	0
Depreciation of fixed assets	76 326	18 810
Depreciation of intangible assets	0	0
Transportation costs	0	0
Professional fees	249	0
Other administrative costs	281 112	284 080
	<u>949 955</u>	<u>1 088 368</u>

(5) Other operating income

Income from fixed assets sale	157 890	0
Incomes of converting	0	36 405
Income from material's realisation	216 085	0
Write of a reserve of the basic means	12 217	64 361
Incomes of the basic means	94 387	13 674
Other income	0	95 262
	<u>480 579</u>	<u>209 702</u>

(6) Other operating expenses

Residual value of sold fixed assets	79 083	0
Losses of course exchange	599 863	49 112
Expenses of collective agreement	50 155	32 584
Net loss from sale of fixed assets	27 397	0
Pretax applied to expenses	20 322	0
Creation of accumulation on debtors	0	421 550
Other expenses	11 969	35 436
	<u>788 789</u>	<u>538 682</u>

(7) Corporate income tax

Deferred tax charge	0	0
Corporate income tax charge for the current year	(92 720)	14 778
	<u>(92 720)</u>	<u>14 778</u>

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 2002	0	2007
Tax losses of 2003	0	2008
Tax losses of 2004	0	2009
Tax losses of 2005	280 948	2010
Tax losses of 2006	0	2011
	<u>280 948</u>	

(8) Other taxes

Real estate tax for land	9 052	6 858
Real estate tax for buildings	29 612	22 531
	<u>38 664</u>	<u>29 389</u>

(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
Cost / Valuation							
31.12.2004.	3 682 475	0	4 571 597	548 161	27 750	0	8 829 983
Additions	68 361	0	458 172	54 825	639 089	0	1 220 447
Disposals	(90 395)	0	(242 716)	(63 482)	(581 358)	0	(977 951)
Reclassification	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
31.12.2005.	<u>3 660 441</u>	<u>0</u>	<u>4 787 053</u>	<u>539 504</u>	<u>85 481</u>	<u>0</u>	<u>9 072 479</u>
Depreciation							
31.12.2004.	1 447 229	0	4 294 137	445 409	0	0	6 186 775
Charge for 2004.	68 827	0	190 080	70 304	0	0	329 211
Disposals	(32 211)	0	(229 940)	(55 362)	0	0	(317 513)
Reclassification	0	0	0	0	0	0	0
Corrections for previous year's error	0	0	0	0	0	0	0
31.12.2005.	<u>1 483 845</u>	<u>0</u>	<u>4 254 277</u>	<u>460 351</u>	<u>0</u>	<u>0</u>	<u>6 198 473</u>
Net book value 31.12.2004.	<u>2 235 246</u>	<u>0</u>	<u>277 460</u>	<u>102 752</u>	<u>27 750</u>	<u>0</u>	<u>2 643 208</u>
Net book value 31.12.2005.	<u>2 176 596</u>	<u>0</u>	<u>532 776</u>	<u>79 153</u>	<u>85 481</u>	<u>0</u>	<u>2 874 006</u>

(10)	Incomplete products		
	Incomplete products	2 566 131	1 830 203
		0	0
		<u>2 566 131</u>	<u>1 830 203</u>
(11)	Finished good and goods for sale		
	Finished products on stock	804 876	326 496
	Autoservice		
	Canteen	728	1 646
		<u>805 604</u>	<u>328 142</u>
(12)	Trade receivables		
	Registered price of trade debtors	2 897 487	2 163 416
	Provisions for bad and doubtful trade debtors	0	(337 580)
		<u>2 897 487</u>	<u>1 825 836</u>
(13)	Other receivables		
	VAT overpaid	59 471	0
	Corporate income tax overpaid	0	34 541
	VAT accepted	98 775	60 701
	Housing and Communal Service	6 696	0
	Payments to personnel	5 367	11 193
	Other debtors	14 727	31 193
		<u>185 036</u>	<u>137 628</u>
(14)	Deferred expenses		
	Payment for insurance	2 948	4 738
	Magazine subscription fee	0	0
	Other expenses	7 531	4 648
		<u>10 479</u>	<u>9 386</u>
(15)	Cash and bank		
	The depositary account	5 337 000	
	Cash in hand	1 000	3 578
	Cash at bank	439 658	778 210
		<u>5 777 658</u>	<u>781 788</u>

(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 garantee repair	Provisions for unused annual leave	Total
	Ls	Ls	Ls
01.01.2004.	0	0	0
Increase	30 000	116 705	146 705
Decrease	0	0	0
01.01.2005.	30 000	116 705	146 705
Increase	855 000	136 114	991 114
Decrease	(7 286)	(116 705)	(123 991)
31.12.2005.	<u>877 714</u>	<u>136 114</u>	<u>1 013 828</u>

(18) Loans from credit institutions

Long-term part

0	0
2 258 876	1 900 662
<u>2 258 876</u>	<u>1 900 662</u>

Short-term part

0	0
301 364	186 558
<u>301 364</u>	<u>186 558</u>

The long term loan must be repayed till August, 2016. The monthly payment is 16 900 Ls. The interest rate is 5.03 %.

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 momnet of pledge to A/S "Lateko banka" in sum 8 560 069Ls.

(19) Advances received from consumers.

Russia	0	806 798
Estonia	266 850	294 255
Other	1 072 099	1 216 646
	<u>1 338 949</u>	<u>2 317 699</u>

(20) Trade payables

Long-term part

0	0
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>

Short-term part

0	0
8 441 984	379 553
<u>8 441 984</u>	<u>379 553</u>

(21) Taxes and social insurance

	01.01.2005.	Calculated	Calculated penalty fees	(Paid)/ repaid	Transferred to/ from other taxes	31.12.2005.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	61 069	501 898	263	1 530 021	907 319	(59 472)
Other penalty			21 379	21 508		(129)
Payroll tax	59 476	698 336	139	621 000	(73 162)	63 789
Social insurance	99 649	1 268 317	60	387 960	(868 698)	111 368
Corporate income tax	(34 541)	92 720	11 127	25 905	34 541	77 942
Real estate tax (land)	0	9 052	0	9 052	0	0
Real estate tax (buildings)	(40)	29 612	20	29 570	0	22
Natural resource tax	697	13 702	0	9 066	0	5 333
The state tax for company's bussines	753	8 290	0	8 411	0	632
Total	187 063	2 621 927	32 988	2 642 493	0	199 485
Hereof						
Liabilities/	221 644					259 086
(Overpaid)	(34 581)					(59 601)

Tax incentives and allowances.

(22) Average number of employees

2005 2004

Vidējais uzņēmumā nodarbināto skaits pārskata gadā

1 915 2 324

EVGENY FILIPPOV
general director

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

Chairman of the general meeting _____