



AS “DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA”

REPORT

For 12 month 2006

TABLE OF CONTENTS:

1. Information on the company	3
2. Report of the management	4 - 5
3. Balance sheet	6 - 7
4. Profit and loss account	8
5. Statement of changes in equity	9
6. Notes	11-18
7. Cash flow statement	19

INFORMATION ON THE COMPANY

<i>Name of the company</i>	DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA
<i>Legal status of the company</i>	Joint-stock company
<i>Number, place and date of registration</i>	Nr.40003030219 Riga, 03.10.1991. The commercial registr Riga, 08.06.2004.
<i>Address</i>	Marijas street 1, Daugavpils LV-5401 Latvia
<i>Type of operations</i>	Over hauls and modernizes of the mobile train
<i>Names, address and % of the share capital owned by company's shareholders</i>	AS SKINEST RAIL, reģ.10293440 (49,0%) Kadaka tee 1, 10621. Tallina Estonia AS SPACECOM, reģ.10940566 (25,27%) Kadaka tee 1, 10621 Tallina Estonia LLC LOKOMOTIIV IVESTEERINGUUD, reģ.11096115 (6,09%) Tartu street 18-18, 10115 Tallina Estonia AAS "DORMAŠINVEST" reģ.001455963, OGRN 10277739059919 (5%) Moscow, Russia VAS VSAA, Riga (3,2%) Lacplesha street 70a, LV-1011 Latvia Physical persons (11,44%)
<i>Names and positions of Board members</i>	Keskula Aivar – chairman of the Board (from 25.10.2006) Šilovs Andrejs – member of the Board (from 25.10.2006) Kārkliņa Jeļena – member of the Board (from 25.10.2006)
<i>Names and position of Advice members</i>	Ossinovski Oleg – chairman of the Council (from 06.08.2004) Grjadunova Jelena – vice-chairman of the Council (from 01.06.2006) Ait Roman – member of the Council (from 16.08.2004) Barashkov Vasiluy – member of the Council (from 16.08.2004) Krasnoslok Juri– member of the Council(from 16.08.2004)
<i>Name of the auditor, personal code and the address</i>	MRI Revision SIA License Nr.80 Kronvalda bulvaris 10 , Rīga- LV-1010,Latvia

Report of the management.

I. The key figures of the enterprise.

In 2006 joint-stock company „Daugavpils Lokomotīvu Remonta Rūpnīca” has distributed goods for 16260.1 thousand LVL, which constitutes an increase of 96.9 % compared to the appropriate period of 2005.

Displayed below is the dynamics of the output of the production of the basic classification. (Table No.1):

The basic classification of the production.

Designation	12 month 2006	12 month 2005	(+, -) thousands. LVL
Diesel locomotive repair, section	10263.9	12626.6	-2362.7
Electric train repair, carriages	1216.7	529.8	+686.9
Diesel-multiple unit train repair, carriages	-	71.5	-71.5
Wheel pair ,peaces	2018.8	1328.4	+690.4
Electric machines repair, peaces	1063.0	882.5	+180.5
Diesel repair, peaces	318.4	251.5	+66.9
Other production	428.6	355.6	+73.0
Spare parts production	843.0	609.3	+233.7
Other	107.7	131.5	-23.8
Total	16260.1	16786.7	-526.6

Table No.2

The structure of the distributed goods by the clients.

The client	12 month 2006		12 month 2005	
	sum	%	sum	%
Latvia	4431.9	27.3	2248.2	13.4
Lithuania	807.0	5.0	1294.8	7.7
Estonia	1388.6	8.5	4956.4	29.5
Belarus	473.1	2.9	182.1	1.1
Uzbekistan	325.0	2.0	688.4	4.1
Russia	8712.2	53.6	7416.8	44.2
Other	122.3	0.7	0	0
Total	16260.1	100.0	16786.7	100.0

II. Financial figures.

The enterprise finished 2006 with the balance income of 182.7 thousand LVL.

The enterprise for the means of the increase of the turnover resources, has invested 1911.2 thousand LVL of investments, including:

- The purchase of the capital assets - 598 thousand LVL
- The purchase of the land - 967.5 thousand LVL
- The classification of the factory - 247.1 thousand LVL
- Furniture and equipment - 98.6 thousand LVL

J.Kārklīņa

Member of the board

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

2007. g. 01.01. balance Sheet

0.702804

ASSETS				
	01. 01. 2007. g.		01. 01. 2006.g.	
	LTV	EUR	LTV	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	3 073 910	4 373 780	2 176 596	3 097 017
Machinery and equipment	805 923	1 146 725	532 776	758 072
Other property, plant and equipment	147 588	209 999	79 153	112 625
Construction in progress	331 980	472 365	85 481	121 629
Total property, plant and equipment	4 359 401	6 202 869	2 874 006	4 089 342
Participation in associated companies	22 000	31 303		0
Total	22 000	31 303	0	0
Total non current assets	4 381 401	6 234 172	2 874 006	4 089 342
CURRENT ASSETS				
Inventory	4 733 500	6 735 164	5 767 491	8 206 400
Debtors:				
Trade accounts receivable	3 310 980	4 711 100	2 909 492	4 139 834
Other accounts receivable	282 014	401 270	187 474	266 751
Short-term loans	12 948	18 423	10 888	15 492
Total debtors:	3 605 942	5 130 793	3 107 854	4 422 078
Cash and cash equivalents	11 151	15 866	5 777 658	8 220 867
Total current assets	8 350 593	11 881 823	14 653 003	20 849 345
TOTAL ASSETS	12 731 994	18 115 995	17 527 009	24 938 687

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

<u>LIABILITIES</u>				
	<u>01. 01. 2007. g.</u>		<u>01. 01. 2006. g.</u>	
	<u>LTV</u>	<u>EUR</u>	<u>LTV</u>	<u>EUR</u>
SHAREHOLDER EQUITY				
Share capital	8 294 219	11 801 610	8 294 219	11 801 610
Topheavy reserves	712 150	1 013 298	845 167	1 202 564
Previous year unappropriated result	-5 462 553	-7 772 513	-5 464 570	-7 775 383
Current year unappropriated result	182 689	259 943	2 017	2 870
Total shareholders' equity	3 726 505	5 302 339	3 676 833	5 231 662
PROMSIONS				
Provision	819 541	1 166 102	877 714	1 248 875
LONG-TERM LIABILITIES				
Long-term loan from credit institution	2 789 918	3 969 696	2 258 876	3 214 091
Total long-term liabilities	2 789 918	3 969 696	2 258 876	3 214 091
CURRENT LIABILITIES				
Creditors' equity	1 989 677	2 831 055	301 364	428 802
Advances from customers	696 686	991 295	1 353 138	1 925 342
Trade accounts payable	2 170 010	3 087 646	8 443 934	12 014 636
Covered by taxes	258 854	368 316	265 917	378 366
Accumulated liabilities	21 961	31 248	136 114	193 673
Deferred tax payment	43 932	62 510		
Other liabilities	214 910	305 789	213 119	303 241
Total current liabilities	5 396 030	7 677 859	10 713 586	15 244 060
Total	<u>8 185 948</u>	<u>11 647 555</u>	<u>12 972 462</u>	<u>18 458 150</u>
<u>TOTAL LIABILITIES</u>	<u>12 731 994</u>	<u>18 115 995</u>	<u>17 527 009</u>	<u>24 938 687</u>

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

	LS	EUR	LS	EUR
NET SALES	18 643 304	26 527 032	25 359 454	36 083 252
Cost of sales	<u>17 881 972</u>	25 443 754	<u>23 860 494</u>	33 950 424
GROSS PROFIT (LOSS)	761 332	1 083 278	1 498 960	2 132 828
Sales and distribution expenses	70 854	100 816	84 151	119 736
Administrative expense	716 481	1 019 461	825 560	1 174 666
Other operating income	391 342	556 830	401 556	571 363
Other expenses	117 840	167 671	97 466	138 682
Other interest and similar income	225 089	320 273		
Other interest and similar expenses	209 254	297 742	753 699	
RESULT FROM OPERATING ACTIVITIES	263 334	374 691	139 640	198 690
RESULT BEFORE TAXES	263 334	374 691	139 640	198 690
Corporate income tax	43 932	62 510	98 959	140 806
Other taxes	36 713	52 238	38 664	55 014
NET RESULT FOR THE YEAR	182 689	259 943	2 017	2 870
	0,02	0,03	0,0003	0,0004

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

Kurs 0,702804

	on 01.01.07.	on 01.01.2007.	on 01.01.2006	on 01.01.2006.
	LTV	EUR	LVL	EUR
Share capital				
Post-balance residue on 01. 01. 2006.	8 294 219	11 801 610	8 294 219	11 801 610
Increase	0	0	0	0
Decrease	0	0	0	0
Post-balance residue on 01. 01. 2007.	8 294 219	11 801 610	8 294 219	11 801 610
		0		
Reserve of reassessment of the basic means				
Post-balance residue on 01. 01. 2006.	845 167	1 202 564	1 003 243	1 427 486
Increase	0	0	0	0
Decrease	133 017	189 266	158 076	224 922
Post-balance residue on 01. 01. 2007.	712 150	1 013 298	845 167	1 202 564
		0		
Retained profit				
Post-balance residue on 01. 01.2006.	-5 462 553	-7 772 513	-5 406 316	-7 692 495
Post-balance residue on 01. 01.2007.	-5 279 864	-7 512 570	-5 462 553	-7 772 513
Share capital (total)				
Post-balance residue on 01. 01.2006.	3 676 833	5 231 662	3 891 146	5 536 602
Post-balance residue on 01. 01.2007.	3 726 505	5 302 339	3 676 833	5 231 662

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 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 LVL

The Company maintains its accounts in Latvian LVL. All transactions denominated in foreign currencies are converted into LVL 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 LVL 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.

	31.12.2006.	31.12.2005.
1 USD	0.536	0.593
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
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 capitalizes 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

	12months 2006	12months 2005
According to operating activities		
Products production	16 260 135	16 786 700
Diesel locomotive sale	-	7 972 293
Spare parts sale	1 671 843	-
Other	711 326	600 461
Total	18 643 304	25 359 454
According to the location		
Income from export to Latvia	5 082 199	2 248 200
Income from export to Russia	8 747 629	9 494 093
Income from export to Lithuania	807 000	1 294 800
Income from export to Estonia	1 414 234	4 956 400
Income from export to Belarus	2 144 942	182 100
Income from export to Uzbekistan	325 000	688 400
Other	122 300	6 495 461
Total	18 643 304	25 359 454

2. Production costs

Goods delivery expenses	410 721	366 793
Row and material expenses	9 825 092	10 144 568
Purchase of diesel locomotives	-	7 946 375
Sale of spare parts	1 639 725	-
Utility expenses	660 791	542 036
Salary expenses	3 657 416	3 429 491
Social insurance	865 897	813 197
Depreciation of fixed assets	196 258	222 806
Other production costs	626 072	395 228
Total	17 881 972	23 860 494

3. Selling expenses

	<u>12 month 2007</u>	<u>12 month 2006</u>
Transportation costs	70 854	84 151
Other selling expenses	-	-
Total	70 854	84 151

4. Administrative expenses

Salary expenses	336 075	293 725
Social insurance	79 670	70 432
Other social security expenses	-	-
Rent expenses	-	-
Office expenses	82 432	220 084
Advertising	1 135	3 468
Representation costs	3 800	4 559
Depreciation of fixed assets	65 085	76 326
Other administrative costs	148 284	156 966
Total	716 481	825 560

5. Other operating income

Income from fixed assets sale	171 224	78 807
Write of a reserve of the basic means	133 016	216 085
Incomes of the basic means	13 085	12 217
Other income	74 017	94 447
Total	391 342	401 556

6. Other operating expenses

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

Expenses of collective agreement	35002	50 155
Net loss from sale of fixed assets	15 921	27 935
Pretax applied to expenses	12 383	4 849
Other expenses	54 534	14 527
Total	117 840	97466

7.

	12 month 2006	12 month 2005
Net income from the currency exchange fluctuation	225 089	-
Total	225 089	-

8.

	12 month 2006	12 month 2005
Interest payments	209 254	125 923
Net loss from the currency exchange fluctuation	-	627 776
Total	209 254	753 699

9. Corporate income tax

	<u>12 month 2006</u>	<u>12 month 2005</u>
Corporate income tax charge for the current year	-	98 959
Deferred tax payment	43 932	-
Total	43 932	98 959

10. Other taxes

Real estate tax for land	7 624	9 052
Real estate tax for buildings	29 089	29 612
Kopā	36 713	38 664

11. Fixed assets

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

	Land and buildings	Equipment and machinery	Other fixed assets and inventory	Fixed assets under construction	Total
Cost / Valuation					
31.12.2005.	3 660 441	4 787 053	539 504	85 481	9 072 479
Additions	1 089 758	391 096	98 256	246 499	1 825 609
Disposals	186 459	82 905	124 783		394 147
Reclassification					
Revaluation					
31.12.2006.	4 563 740	5 095 244	512 977	331 980	10 503 941
Depreciation					
31.12.2005.					
Charge	1 483 845	4 254 277	460 351	-	6 198 473
Disposals	51 146	116 707	28 405	-	196 258
Reclassification	45 161	81 663	123 367	-	250 191
Corrections for previous year's error					
31.12.2006.	1 489 830	4 289 321	365 389	-	6 144 540
Net book value					
31.12.2005.	2 176 596	532 776	79 153	85 481	2 874 006
Net book value					
31.12.2006.	3 073 910	805 923	147 588	331 980	4 359 401

12. Incomplete products

	12 month 2006	12month 2005
Incomplete products	2 710 651	2 849 328
Total	2 710 651	2 849 238

13. Finished good and goods for sale

Finished products on stock	400 129	51 1760
Canteen	330	728
Total	400 459	512 488

14. Trade receivables

Registered price of trade debtors	3 310 980	2 909 492
Total	3 310 980	2 909 492

15. Other receivables

VAT overpaid	54 290	58 226
Guarantee	72 926	98 775
Housing and Communal Service	2 611	6 696
Payments to personnel	1 232	5 367
Advance payment	109 422	-
Other debtors	41 533	18 410
Total	282 014	187 474

16. Deferred expenses

	<u>12 month 2006</u>	<u>12 month 2005</u>
Payment for insurance	3 466	3 357
Other expenses	9 482	7 531
Total	12 948	10 888

17. Cash and bank

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

Cash in hand	67	1 000
Cash at bank	11 084	439 658
The depositary account	-	5 337 000
Total	11 151	5 777 658

18. Share capital

As at 31 June 2006 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

19. Loans from credit institutions

Long-term part	2 789 918	2 258 876
Short-term part	1 989 677	301 364

20. Advances received from consumers.

Latvia	181 760	14 189
Russia	217 932	-
Estonia	70 280	266 850
Other	226 714	072 099
Total	696 686	1 353 138

21. Trade payables

	<u>12 month 2006</u>	<u>12 month 2005</u>
Long-term part	-	-
Short-term part	2 170 010	8 443 934

22. Taxes and social insurance

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 12 month 2006

	01.01. 2006.	Calculated	Calculated penalty fees	(Paid)/ repaid	Transferred to/ from other taxes	Corrections of last year taxes	31.12.2006.
VAT	(58 226)	(446 426)	1 275	(27 109)	617 698	-	87 212
Other penalty	551	-	-	(551)		-	
Payroll tax	63 743	749 904	2 133	(688 000)	(67 000)	-	60 780
Social insurance	111 453	1 348 233	620	(800 222)	(550 698)	-	109 384
Corporate income tax	84 182		-	(189 939)	-	(3 665)	(109 422)
Real estate tax (land)	-	7 624	-	(7 624)	-	-	-
Real estate tax (buildings)	22	29 089	-	(28 765)	-	-	346
Natural resource tax	5 333	10 149	-	(14 736)	-	-	746
The state tax for company's business	633	5 092	-	(5 339)	-	-	386
Total	207 691	1 703 663	4 028	(1 762 285)	-	(3 665)	149 432

Hereof:

Liabilities/ 265917

258854

(Overpaid) 58 226

109 422

23. Average number of employees

Average number of employees

1 648

1 915

Keskula Aivar

Chairman of the board

AS "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nodokļu maksātāja reģ, Nr, 40003030219

Adrese Daugavpils, Marijas iela 1

rate 0.702804

Cash flow statement for 12 month 2006**1. Cash flow from operating activities**

	01.01.2007 LVL		01.01.2007 EUR		01.01.2006 LVL		01.01.2006 EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxation	263 334		374 691	0	139 640	0	198 690	0
Adjustments: a) depreciation	196 258		279 250	0	329 211	0	468 425	0
Provision	0	58 173	0	82 773	867 123	0	1 233 805	0
c) profit or loss from the currency exchange fluctuacions	0	201 037	0	286 050	300 604	0	427 721	0
Decrease of provision for fixed assets revaluation	0	133 017	0	189 266	0	0	0	0
Income from sale of fixed assets	0	171 224	0	243 630	0	295 141	0	419 948
Interest expences paid	207 097		294 672		124 513		177 166	
Adjustments: a) Trade receivables (increase)/decrease)	0	498 088	0	708 715	0	1 135 002	0	1 614 962
b) Stock (increase)/decrease	1 033 989		1 471 234	0	0	1 934 669	0	2 752 786
c) Trade payables increase/(decrease)	0	6 896 568	0	9 812 932	7 032 887	0	10 006 897	0
Gross cash flow operating activities	1 700 678	7 958 104	2 419 847	11 323 362	8 793 978	3 364 812	12 512 703	4 787 696
Corporate income and property tax paid	0	189 939	0	270 259	0	0	0	0
Cash flow before extraordinary items	1 700 678	8 148 043	2 419 847	11 593 621	8 793 978	3 364 812	12 512 703	4 787 696
Net cash from operating activities	0	6 447 365	0	9 173 774	5 429 166	0	7 725 007	0

II. Cash flows from investing activities

	uz 01.01.2007 LVL		uz 01.01.2007 EUR		uz 01.01.2006 LVL		uz 01.01.2006 EUR	
	income	expences	income	expences	income	expences	income	expences
Acquisition of fixed assets and intangible assets	0	1 825 616	0	2 597 618	0	481 199	0	684 684
Income from sale of fixed assets and intangible assets	315 180	0	448 461	0	0	0	0	0
Participation in offer companies	0	22 000	0	31 303	0	0	0	0
Net cash from investing activities	0	1 532 436	0	2 180 460	0	481 199	0	684 684

III. Cash flows from financing activities

	uz 01.01.2007 LVL		uz 01.01.2007EUR		uz 01.01.2006 LVL		uz 01.01.2006 EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	2 710 992	0	3 857 394	0	379 803		540 411	0
Repayments of loans	0	497 698	0	412 159	0	331 900	0	295 085
Net cash flows from financing activities	2 213 294	0	3 149 234	0	47 903		68 160	0

	uz 01.10.2006 LVL		uz 01.10.2006 EUR		uz 01.10.2006 LVL		uz 01.10.2006 EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities	0	6 447 365	0	9 173 774	5 429 166	0	7 725 007	0
Cash flows from investing activities	0	1 532 436	0	2 180 460	0	481 199	0	684 684
Cash flows from financing activities	2 213 294	0	3 149 234	0	47 903		68 160	0
Net cash flow of the current period	0	5 766 507	0	8 205 000	4 995 870	0	7 108 483	0
Cash and cash equivalents at the beginning of the reporting period	5 777 658	0	8 220 867	0	781 788	0	1 112 384	0
Cash and cash equivalents at the end of the reporting period	11 151	0	15 866	0	5 777 658	0	8 220 867	0

President

A.Keskula

Date

13.03.2007.g.