



AS “DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA”

REPORT

For 12 month 2006

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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)

Name of the auditor, personal
kode and the address

The report is not inspected

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, carriage	1216.7	529.8	+686.9
Diesel-multiple unit train repair, carriage	-	71.5	-71.5
Wheel pair, pieces	2018.8	1328.4	+690.4
Electric machines repair, pieces	1063.0	882.5	+180.5
Disel repair, pieces	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 166.8 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
- Advance payment for fixed assets- 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

<u>ASSETS</u>				
	01. 01. 2007. g.		01. 01. 2006.g.	
	LTV	EUR	LTV	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	2 106 361	2 997 082	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	308 885	439 504	85 481	121 629
Advance paymen for fixsed assets	967 549	1 376 698	0	0
Total property, plant and equipment	4 336 306	6 170 008	2 874 006	4 089 342
Participation in assosiased companies	22 000	31 303		0
Total	22 000	31 303	0	0
Total non current assets	4 358 306	6 201 311	2 874 006	4 089 342
CURRENT ASSETS				
Inventory	4 813 500	6 848 993	5 767 491	8 206 400
Debtors:				
Trade accounts receivable	3 365 270	4 788 348	2 897 487	4 122 753
Other accounts receivable	223 711	318 312	199 479	283 833
Short-term loans	36 043	51 285	10 888	15 492
Total debtors:	3 625 024	5 157 944	3 107 854	4 422 078
Cash and cash equivalents	11 151	15 866	5 777 658	8 220 867
Total current assets	8 449 675	12 022 804	14 653 003	20 849 345
<u>TOTAL ASSETS</u>	<u>12 807 981</u>	<u>18 224 115</u>	<u>17 527 009</u>	<u>24 938 687</u>

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

2007. g. 01.01. balance Sheet

0,702804

<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	786 913	1 119 676
Previous year unappropriated result	-5 404 299	-7 689 625	-5 406 316	-7 692 495
Current year unappropriated result	166 801	237 336	21 189	30 149
Total shareholders' equity	<u>3 768 871</u>	<u>5 362 620</u>	<u>3 696 005</u>	<u>5 258 941</u>
Provisions	804 541	1 144 759	1 013 828	1 442 547
Provisions	804 541	1 144 759	1 013 828	1 442 547
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	351 407	500 007	265 917	378 366
Other liabilities	236 871	337 037	193 947	275 962
Total current liabilities	5 444 651	7 747 040	10 558 300	15 023 107
Total	<u>8 234 569</u>	<u>11 716 736</u>	<u>12 817 176</u>	<u>18 237 198</u>
<u>TOTAL LIABILITIES</u>	<u>12 807 981</u>	<u>18 224 115</u>	<u>17 527 009</u>	<u>24 938 687</u>

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

for 12 months 2006.y.

0.702804

	<u>for 12 months 2006. y.</u>		<u>for 12 months 2005. y.</u>	
	LS	EUR	LS	EUR
NET SALES	18 643 304	26 527 032	25 359 454	36 083 252
Cost of sales	17 751 404	25 257 972	23 841 322	33 923 145
GROSS PROFIT (LOSS)	891 900	1 269 059	1 518 132	2 160 107
Sales and distribution expenses	70 854	100 816	84 151	119 736
Administrative expense	961 303	1 367 811	951 483	1 353 838
Other operating income	558 177	794 214	401 556	571 363
Other expenses	117 840	167 671	725 242	1 031 926
RESULT FROM OPERATING ACTIVITIES	300 080	426 975	158 812	225 969
RESULT BEFORE TAXES	300 080	426 975	158 812	225 969
Corporate income tax	4 013	5 710	98 959	140 806
Other taxes	36 713	52 238	38 664	55 014
Deferred tax payment	92 553	131 691		
NET RESULT FOR THE YEAR	166 801	237 336	21 189	30 149
	0.02	0.03	0.003	0.004

**OVERVIEW OF EQUITY CAPITAL SHANGES
for 12 months 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.	786 913	1 119 676	1 003 243	1 427 486
Increase	0	0	0	0
Decrease	74 763	106 378	216 330	307 810
Post-balance residue on 01. 01. 2007.	712 150	1 013 298	786 913	1 119 676
		0		
Retained profit				
Post-balance residue on 01. 01.2006.	-5 385 127	-7 662 345	-5 406 316	-7 692 495
Post-balance residue on 01. 01.2007.	-5 237 498	-7 452 288	-5 385 127	-7 662 345
Share capital (total)				
Post-balance residue on 01. 01.2006.	3 696 005	5 258 941	3 891 146	5 536 602
Post-balance residue on 01. 01.2007.	3 768 871	5 362 620	3 696 005	5 258 941

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 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

	12months 2006	12months 2005
According to operating activities		
Products production	16260135	16786700
Diesel locomotive sale	-	7972293
Spare parts sale	1671843	-
Other	711326	600461
Total	18643304	25359454
According to the location		
Income from export to Latvia	5082199	2248200
Income from export to Russia	8747629	9494093
Income from export to Lithuania	807000	1294800
Income from export to Estonia	1414234	4956400
Income from export to Belarus	2144942	182100
Income from export to Uzbekistan	325000	688400
Other	122300	6495461
Total	18643304	25359454

2. Production costs

Goods delivery expenses	410721	366793
Row and material expenses	9380716	10144568
Purchase of diesel locomotives	-	7946375
Sale of spare parts	1639725	-
Utility expenses	660791	542036
Salary expenses	3657416	3429491
Social insurance	865897	813197
Depreciation of fixed assets	196258	222806
Other production costs	939880	376056
Total	17751404	23841322

3. Selling expenses

	<u>12 month 2007</u>	<u>12 month 2006</u>
Transportation costs	70854	84151
Other selling expenses	-	-
Total	70854	84151

4. Administrative expenses

Salary expenses	329865	293725
Social insurance	79670	70432
Other social security expenses	-	-
Rent expenses	-	-
Office expenses	82432	220084
Advertising	1135	3468
Representation costs	3800	4559
Depreciation of fixed assets	65085	76326
Professional fees	-	249
Other administrative costs	399316	282640
Total	961303	951483

5. Other operating income

Income from fixed assets sale	171224	78807
Incomes of converting	225089	-
Write of a reserve of the basic means	74762	216085
Incomes of the basic means	13085	12217
Other income	74017	94447
Total	558177	401556

6. Other operating expenses

Loss from currency rate fluctuations	-	627776
Expenses of collective agreement	35002	50155
Net loss from sale of fixed assets	15921	27935
Pretax applied to expenses	12383	4849
Other expenses	54534	14527
Total	117840	725242

7. Corporate income tax

	<u>12 month 2006</u>	<u>12 month 2005</u>
Corporate income tax charge for the current year	4013	98959
Total	4013	98959

8. Other taxes

Real estate tax for land	7624	9052
Real estate tax for buildings	29089	29612
Kopā	36713	38664

9. Fixed assets

	Land and buildings	Equipment and machinery	Other fixed assets and inventory	Fixed assets under construction	Advance payment for fixed assets	Total
Cost / Valuation						
31.12.2005.	3 660 441	4 787 053	539 504	85 481	-	9 072 479
Additions	122209	391096	98256	845005	967549	2424115
Disposals	186459	82905	124783	621601	-	1015748
Reclassification						
Revaluation						
31.12.2006.	3596191	5095244	512977	308885	967549	10480846
Depreciation						
31.12.2005.						
Charge	1 483 845	4 254 277	460 351	-	-	6 198 473
Disposals	51146	116707	28405	-	-	196258
Reclassification	45161	81663	123367	-	-	250191
Corrections for previous year's error						
31.12.2006.	1489830	4289321	365389	-	-	6144540
Net book value						
31.12.2005.	2 176 596	532 776	79 153	85 481	-	2 874 006
Net book value						
31.12.2006.	2106361	805923	147588	308885	967549	4336306

10. Incomplete products

Incomplete products	2515596	2849238
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11. Finished good and goods for sale

Finished products on stock	640184	511760
Canteen	330	728
Total	640514	512488

12. Trade receivables

Registered price of trade debtors	3365270	2897487
Total	3365270	2897487

13. Other receivables

VAT overpaid	-	58226
Guarantee	72926	98775
Housing and Communal Service	2611	6696
Payments to personnel	1232	5367
Advance payment	105409	-
Other debtors	41533	18410
Total	223711	187474

14. Deferred expenses

	<u>12 month 2006</u>	<u>12 month 2005</u>
Payment for insurance	3466	3357
Other expenses	32577	7531
Total	36043	10888

15. Cash and bank

Cash in hand	67	1000
Cash at bank	11084	439658
The depositary account	-	5337000
Total	11151	5777658

16. 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.

17. Provisions

		Accumulations on vacation, hopeless debtors, taxes, obligations of guarantees
01.01.2005.		146 705
Increase		991 114
Decrease		123 991
31.12.2005.		1 013 828
Increase		-
Decrease		209287
31.12. 2006.		804541

18. Loans from credit institutions

Long-term part	2789918	2258876
Short-term part	1989677	301364

19. Advances received from consumers.

Latvia	181760	14189
Russia	217932	-
Estonia	70280	266850
Other	226714	1072099
Total	696686	1353138

20. Trade payables

	<u>12 month 2006</u>	<u>12 month 2005</u>
Long-term part	-	-
Short-term part	2170010	8443934

21. Taxes and social insurance

	01.01. 2006.	Calculated	Calculated penalty fees	(Paid)/ repaid	Transferred to/ from other taxes	Correction of last year taxes	31.12.2006.
VAT	(58 226)	1102374	1275	1575910	617698	-	87212
Other penalty	551	-	-	551		-	
Payroll tax	63 743	749904	2133	688000	(67000)	-	60780
Social insurance	111 453	1348233	620	800222	(550698)	-	109384
Corporate income tax	84 182	4013	-	189939	-	(3665)	(105409)-
Real estate tax (land)	-	7864	-	7864	-	-	-
Real estate tax (buildings)	22	29089	-	28765	-	-	346
Natural resource tax	5 333	10148	-	14736	-	-	746
The state tax for company's business	633	5092	-	5339	-	-	386
Deferred tax payment	-	92553	-	-	-	-	92553
Total	207 691	3349270	4028	3311326	-	(3665)	245998

Hereof:

Liabilities/ 265917

351407

(Overpaid) 58 226

105409

22. Average number of employees

Average number of employees

1648

1915

Keskula Aivar

Chairman of the board

AS " Daugavpils Lokomotīvu Remonta Rūpnīca"Nodokļu maksātāja reģ, Nr, **40003030219**Adrese **Daugavpils, Marijas iela 1**

kurs

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	300 080		426 975	0	161 841	0	230 279	0
Adjustments: a) depreciation	196 258		279 250	0	328 973	0	468 086	0
Provision	0	209 287	0	297 789	867 123	0	1 233 805	0
c) profit or loss from the currency exchange fluctuacions	0	204 422	0	290 866	501 738	0	713 909	0
Profit from operating activities before changes in working capital	0	22 000	0	31 303	0	0	0	0
Last year profit dekrease	0	19 172	0	27 279	0	22 584	0	32 134
Adjustments: a) Trade receivables (increase)/decrease)	0	517 170	0	735 867	0	1 120 153	0	1 593 834
b) Stock (increase)/decrease	953 991		1 357 407	0	0	1 948 600	0	2 772 608
c) Trade payables increase/(decrease)	0	6 801 959	0	9 678 316	7 073 320	0	10 064 428	0
Net book value of fixed assets disposed of	0	29 216	0	41 571	9 080	0	12 920	0
Gross cash flow operating activities	1 450 329	7 803 226	2 063 632	11 102 990	8 942 075	3 091 337	12 723 426	4 398 576
Corporate income and property tax paid	0	133 279	0	189 639	0	131 384	0	186 943
Cash flow before extraordinary items	1 450 329	7 936 505	2 063 632	11 292 629	8 942 075	3 222 721	12 723 426	4 585 519
Net cash from operating activities	0	6 486 176	0	9 228 997	5 719 354	0	8 137 908	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
Acquisiution of fixed assets and intangible assets	0	834 967	0	1 188 051	0	581 358	0	827 198
Income from sale of fixed assets and intangible assets	173 171	0	246 400	0	12 509	0	17 799	0
Decrease in provision	0	967 549	0	1 376 698	0	0	0	0
Net cash from investing ativities	0	1 629 345	0	2 318 349	0	568 849	0	809 399

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 institucion	2 837 414	0	4 037 276	0	379 803		540 411	0
Repayments of loans	0	289 667	0	412 159	0	207 387	0	295 085
Provision decrease	0	74 763	0	106 378	0	216 330	0	307 809
Net cash flows from financing activities	2 472 984	0	3 518 739	0	0	43 914	0	62 484

	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	6 486 176	0	9 228 997	5 719 354	0	8 137 908	0
Cash flows from investing activities	0	1 629 345	0	2 318 349	0	568 849	0	809 399
Cash flows from financing activities	2 472 984	0	3 518 739	0	0	43 914	0	62 484
Profit or loss from the currency exchange fluctuacions	0	123 970	0	176 393	0	110 721	0	157 542
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