JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 6 months 2011

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INFORMATION ON THE COMPANY

Name of the company	DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA
Legal status of the company	Joint-stock company
Number, place and date of registration	Enterprise Register Nr.40003030219 Riga, 3 October 1991 Commercial register Riga, 8 June 2004
Address	Marijas street 1, Daugavpils LV-5401 Latvia
Type of operations	Railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts
Names of the major shareholders	AS SKINEST RAIL – 47,97% Moisa 4, 13522 Tallinn, Estonia AS SPACECOM - 25,27% Kadaka tee 1, 10621 Tallinn, Estonia LLC LOKOMOTIIV IVESTEERINGUUD - 15,37% Tartu street 18-18, 10115 Tallinn, Estonia Other shareholders - 11,39%
Names and positions of the Counsel Members	Oleg Ossinovski - Chairman of the Council Aivar Keskula - Vice Chairman of the Council Juri Krasnošlik – Member of the Council Natalja Kumar – Member of the Council Aleksandr Golubnitši – Member of the Council
Names and positions of the Board Members	Natālija Petrova – Chairman of the Board Eduards Krukovskis - Member of the Board Mihails Mamonovs - Member of the Board
Auditor`s name and address	Report not vise

Report of the management.

I. The key figures of the enterprise.

In 6 months 2011 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for **7 881.0** thousand lats, which constitutes 108.8% compared to the appropriate period of 2010.

Displayed below is the dynamics of the output of the production of the basic classification.

Table No.1

The basic classification of the production.

thousands,Ls

Designation	6 months 2011	6 months 2010	(+, -)
Diesel locomotive repair, section	5 530.5	2 865.7	+2 664.8
Electric train repair,carrige	-	143.8	-143.8
Wheel pair repair, pieces	95.5	223.0	-127.5
Electric machines repair,pieces	375.2	178.9	+196.3
Diesel repair, peaces	-	8.6	-8.6
Other production	1 879.8	3 821.0	-1 941.2
Total	**7 881.0**	**7 241.0**	**+640.0**

Table No.2

The structure of the distributed goods by the clients.

The client	6 months 2011		6 months 2010	
	sum	%	sum	%
Latvia	886.0	11.2	766.7	10.6
Lithuania	432.6	5.4	332.4	4.6
Estonia	2 442.8	31.0	3 490.6	48.2
Belarus	437.8	5.4	157.2	2.2
Uzbekistan	-	-	785.9	10.8
Russia	2 928.8	37.2	1 613.7	22.3
Other	753.0	9.6	94.5	1.3
Total	**7 881.0**	**100.0**	**7 241.0**	**100.0**

II. Financial figures.

The enterprise finished 6 months 2011 year at la profit 364.4 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 155.0 thousand lats of investments, including:

- Equipment putting into operation - 39.5 thousand Ls
- Equipment repairs - 112.1 thousand Ls
- Furniture and equipment - 3.4 thousand Ls

Chairman of the Board Natālija Petrova

Statement of Director's responsibility

The Board of Directors of the Joint Stock Company "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" (hereinafter – the Company) is responsible for the preparation of the interim financial statements of the Company. Interim financial statements of the Company are not audited.

The financial statements on pages 7 to 23 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of Junie 30, 2011 and the result of its operations and cash flows for of the 6 months 2011.

The financial statements are prepared in accordance with International Financial Reporting Standarts on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Board of Directors in the preparation of the financial statements.

The Board of Directors of JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
Chairman of the Board

August 25, 2011

30.06.2011. balance Sheet

0.702804

ASSETS						
	30.06.2011.		30.06.2010.		01.01.2011.	
	LVL	EUR	LVL	EUR	LVL	EUR
Embedding long-term						
Non current assets						
Other non current embedding	15 437	21 965			17 550	24 971
Property						
Land, buildings and networks	5 067 053	7 209 767	5 200 368	7 399 457	5 147 930	7 324 845
Machinery and eguipment	1 109 475	1 578 641	1 099 031	1 563 780	1 110 151	1 579 603
Other property, plant and eguipment	94 618	134 629	134 411	191 250	120 080	170 858
Construction in progress	80 621	114 713	8 373	11 914	34 766	49 468
Total property, plant and eguipment	6 367 204	9 059 715	6 442 183	9 166 401	6 430 477	9 149 745
Embedding long-term financial						
Other embedding long-term financial	500	711			500	711
Total embedding long-term	6 367 704	9 060 426	6 442 183	9 166 401	6 430 977	9 150 456
Current assets						
Inventory	2 303 276	3 277 266	2 734 151	3 890 346	2 018 420	2 871 953
Debtors:						
Debts custom, customer	1 855 719	2 640 450	2 118 113	3 013 803	1 431 880	2 037 382
Other current assets	355 287	505 529	174 298	248 004	296 316	421 620
Corp. income tax (overpay)					25 779	36 680
Accumulate income	2 092 320	2 977 103	1 264 319	1 798 964	2 604 906	3 706 447
Cash and cash eguivalents	52 253	74 350	149 674	212 967	609 650	867 454
Total current assets	6 658 855	9 474 698	6 440 555	9 164 084	6 986 951	9 941 536
Total assets	13 026 559	18 535124	12 882 738	18 330 485	13 417 928	19 091 992

30.06.2011. balance Sheet

0.702804

LIABILITIES						
	30.06.2011.		30.06.2010.		01.01.3011.	
	LVL	EUR	LVL	EUR	LVL	EUR
Shareholder' equity						
Share capital	8 294 219	11 801 610	8 294 219	11 801 610	8 294 219	11 801 610
Previous year unappropriated result	-2 254 424	-3 207 756	-2 360 822	-3 359 146	-2 360 822	-3 359 147
Current years profit or loses	364 435	518 544	1 285	1 828	106 398	151 391
Total shareholders' eguity	6 404 230	9 112 398	5 934 682	8 444 292	6 039 795	8 593 854
Liabilities						
Long-term liabilities						
Long-term loan from credit institution	1291410	1 837 511	1 800 517	2 561 906	1 365 539	1 942 987
Other liability	91 303	129 913	91 303	129 912	91 303	129 912
Deffered tax liability	371 786	529 004	335 251	477 019	371 786	529 004
Total	1 754 499	2 496 428	2 227 071	3 168 837	1 828 628	2 601 903
Current liabilities						
Loan from credit institution	137 226	195 255	584 618	831 836	290 338	413 114
Other loan	298 290	424 428				
Trade payables	2 652 910	3 774 751	2 335 641	3 323 318	2 874 521	4 090 075
Accumulation	83 800	119 237	71 989	102 431	113 948	162 133
Corporate income tax liabilities						
Other liabilities	1 695 604	2 412 627	1 728 737	2 459 771	2 270 698	3 230 913
Total current liabilities	4 867 830	6 926 298	4 720 985	6 717 356	5 549 505	7 896 235
Total	6 622 329	9 422 726	6 948 056	9 886 193	7 378 133	10 498 138
Total liabilities	13 026 559	18 535 124	12 882 738	18 330 485	13 417 928	19 091 992

Profit or loss account

For 6 months 2011

0.702804

	6 months 2011		6 months 2010	
	LVL	EUR	LVL	EUR
Net sales	8 097 970	11 522 373	7 430 939	10 573 274
Cost of sales	-6 982 841	-9 935 687	-6 549 570	-9 319 199
Gross profit (loss)	1 115 129	1 586 686	881 369	1 254 075
Sales and distribution expenses	-58 823	-83 698	-72 007	-102 457
Administrative expense	-829 151	-1 179 776	-694 301	-987 901
Other operating income	73 613	104 742	55 559	79 053
Other expenses	-4 797	-6 826	-6 022	-8569
Other credit income	68 464	97 416	-163 313	-232 373
Profit or loss before extraordinary post and taxes	364 435	518 544	1 285	1 828
Profit or loss before taxes	364 435	518 544	1 285	1 828
Profit or losses report on period	364 435	518 544	1 285	1 828
Profit coefficient on stock	+0.0439	+0.0625	+0.0002	+0.0002

OVERWIEW OF EQUITY CAPITAL CHANGES

For 6 months 2011

0.702804

	31.06.2011.		31.06.2010.	
	LVL	**EUR**	**LVL**	**EUR**
Share capital				
Post-balance residue at the beginning of year	8 294 219	11 801 610	8 294 219	11 801 610
Post-balance residue at the end of period	8 294 219	11 801 610	8 294 219	11 801 610
Retained profit				
Post-balance residue at the beginning of year	-2 254 424	-3 207 756	-2 360 822	-3 359 147
Post-balance residue at the end of period	-1 889 989	-2 689 212	-2 359 537	-3 357 318
Share capital (total)				
Post-balance residue at the beginning of year	6 039 795	8 593 854	5 933 397	8 442 463
Post-balance residue at the end of period	6 404 230	9 112 398	5 934 682	8 444 292

Accounting policies

(1) Basis of preparation

These financial statements have been prepared in accordance with the EU-approved International Financial Reporting standards (IFRS).

a) Standards, amendments and interpretations effective in the current year

IAS 1, Presentation of Financial Statements
The main changes in IAS 1 is the replacement of income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of property, plant and equipment and available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has decided to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (previously - balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but no impact on the recognition or measurement of specific transactions or balances.

IAS 23, Borrowing Costs
The amendment to IAS 23 removes the option of immediately recognising as an expense the borrowing costs and requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. As the Group has not previously used that option the amendments do not impact the measurement of assets.

IFRS 8, Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting. The Group concluded that the operation segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are disclosed in Note 2 *Segment Information* , including the related revised comparative information.

IFRS 7, Financial Instruments: Disclosure
The amendment to IFRS 7 requires additional disclosure on the fair value measurements and liquidity risks. The Group is required to disclose analysis of financial instruments by using three-level hierarchy for fair value measurements. The enhanced disclosures are included in these financial statements.

b) Standards, amendments and interpretations that are effective from 1 January 2009, but not relevant for operations of the Group

IFRS 1, First-time Adoption of IFRS - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IFRS 2, Share-based Payment - Vesting Conditions and Cancellations (Amendments)

IAS 27, Consolidated and Separate Financial Statements - Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 32, Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)

Annual Improvements to IFRS, issued in May 2008.

IFRIC 13, Customer Loyalty Programmes

IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

c) Standards, amendments and interpretations, which are not yet effective and not yet adopted by the Group

Improvements to IFRS issued in April 2009
Amendments to IFRS 2, IAS 38, IFRIC 16 are effective for annual periods beginning on or after 1 July 2009, amendments to IFRS 5, IFRS 8, IAS1, IAS 36, and IAS 39 are effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). Improvements consist of a mixture of substantive changes and clarifications in the different areas. The Company does not expect the amendments to have any material effect on its financial statements.

IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements - Amendments (effective for financial years beginning on or after 1 July 2009).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27A requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The Group is currently considering the effect of amendments on the financial statements. The Group intends to apply the amendment to IAS 1, starting with the reporting period on 1 January 2010.

IAS 24, Related Party Disclosures - Amendments (effective for annual periods beginning on or after 1 January 2011, not yet adopted by the EU).
The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amendments on disclosure in its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurements, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).
The IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption.

d) Standards, amendments and interpretations that are not yet effective and not relevant for operations of the Group

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items - Amendments (effective for financial years beginning on or after 1 July 2009).

IFRIC 9 and IAS 39 Embedded Derivatives - Amendment issued in March 2009 (effective for annual periods beginning on or after 30 June 2009, amendments to IFRIC 9 and IAS 39 as adopted by the EU is effective fro annual periods beginning after 31 December 2009).

IAS 32 Classification of Rights Issues - Amendment issued in October 2009 (effective for annual periods beginning on or after 1 February 2010).

IFRS 1 First-time Adoption of IFRS - Revised in December 2008 (effective for annual periods beginning on or after 1 July 2009, restructured IFRS 1 as adopted by the EU is effective fro annual periods beginning after 31 December 2009).

IFRS 1 First-time Adoption of IFRS - Additional Exemptions for First-time Adopters **-** Amendments (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU).

IFRS 2 Group settled Share-based Payment Transactions - Amendments (effective for annual periods beginning on or after 1 January 2010, not yet adopted by EU).

IFRS 7 Limited exemption from comparative disclosures for first-time adopters - Amendments (effective for annual periods beginning on or after 1 January 2011, not yet adopted by the EU)

IFRIC 12 Service Concession Arrangements (IFRIC as adopted by the EU is effective for annual periods beginning on or after 30 March 2009)

IFRIC 14, Prepayments of a Minimum Funding Requirements - Amendment (effective for annual periods beginning on or after 1 January 2011, not yet adopted by EU).

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2008, IFRIC 15 as adopted by the EU is effective fro annual periods beginning after 31 December 2009).

IFRIC 16, Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008, IFRIC 16 as adopted by the EU is effective fro annual periods beginning after 31 June 2009).

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009, IFRIC 17 as adopted by the EU is effective fro annual periods beginning after 31 October 2009).

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009, IFRIC 18 as adopted by the EU is effective fro annual periods beginning after 31 October 2009).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010, not yet adopted by EU).

(2) Methods of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial year and accounting principles of the Company and subsidiary companies are the same. Financial statements of subsidiaries are included in the consolidated financial statements of the Group based on the full consolidation method. Taking into consideration that all subsidiaries of the Company were established by the Company, no goodwill of acquisition has appeared. Subsidiary companies are consolidated from the time of its incorporation.

(3) Foreign currencies

(a) Functional and presentation currency
Items are shown in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates the functional currency). Financial statements are presented in Latvian lat (Ls), which is the Group's functional and presentation currency.

(b) Transactions and balances
All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for the period.

Exchange rates used at the balance sheet date are as follows:

	30.06.2011.	30.06.2010.
1 USD	0.489	0.573
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0174	0.0184

(4) Segment disclosure

An operation segment is a component of the Group which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(5) Income recognition

Net sales represent the total of goods and services sold during the year net of discounts, value added tax and excise tax. Main operation of the Group is repair and modernization of railway rolling stock. Taking into account the type of repair and modernization work and complicity of the order the period of provisioning the services could exceed 3-6 months.

Contract costs related to repair and modernization services are recognised on the basis of completion. Expenses connected with repair service agreement are recognized in the moment when occurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group apply the stage of completion method to determine the appropriate amount of revenues to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract or carrying out surveys of work performed to date, which of them are more reliable. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

Income from sales of goods in Latvia is recognized when the customer has accepted the goods. Income from sales of goods outside Latvia is recognized in accordance with the terms of delivery. Income from provision of other services is recognized by reference to the stage of completion of the services.

Interest income or expenses are recognized in the income statement for all loans and borrowings assessed at amortized cost applying the effective interest rate method.

(6) Property, plant and equipment (tangible assets)

Property, plant and equipment (tangible assets) are initially accounted at the purchase cost. Purchase cost includes costs, which are directly related to the purchase of tangible assets. In financial statements tangible assets are recognised at purchase cost less depreciation and any impairment losses. See Note 12 for modification of these policies in the first adoption of IFRS.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

	Depreciation % per year
Buildings	1,11-20
Plant and equipment	4-20
Other fixtures and fittings, motor vehicles	20

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The decrease in the value of assets is recognised as the expenses.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalised during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the income statement for the relevant period.

(7) Impairment of tangible and intangible assets

All tangible and intangible assets of the Group have their estimated useful lives and they are amortised or depreciated. Assets that are subject to amortisation and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognised at difference between book value of the asset and its recoverable value. Recoverable value is the higher of an asset's fair value less costs to sell and its value in use. In order to determine decrease of the value, assets are classified based on the lower level of identifiable cash flows (cash-bearing units). Assets, which value has been decreased, are assessed at the end of every reporting year to identify the probable value decrease reservation.

(8) Lease without redemption rights (operating lease)

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lesser, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

(9) Inventories

The inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of Group's business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realisable value.

(10) Loans and trade receivables

Loans and trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset' s carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. Changes in inventories are shown in the income statement.

(11) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

(12) Share capital and dividends

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Group are represented as liabilities during the financial period of the Group, when shareholders of the Group approve the dividends.

(13) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(14) Provisions

Provisions are recognized, when there is a present obligation as a result of current or previous years events, it is probable that an outflow or resources will be required, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

(15) Pension obligations

The Group pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees . The social security contributions are recognised as an expense on an accrual basis and are shown in the staff costs.

(16) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(17) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15 % tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

(18) Earnings per share

Earnings per share are determined dividing the net gains or losses attributable to shareholders of the Company by the average weighted quantity of the shares in the reporting year.

(19) Related parties

Related parties are defined as major shareholders of the Company, Board and Council members, their close family members and Companies, in which the previously mentioned persons have significant influence or control. Related parties are considered also the companies, that are being under the ultimate control or significant influence of related parties.

1. Net sales

	6 months 2011	6 months 2010
According to operating activities		
Products production	7 881 366	7 240 950
Other	216 604	189 989
Total	**8 097 970**	**7 430 939**
According to the location		
Income from export to Latvia	886 000	766 650
Income from export to Russia	2 928 800	1 613 700
Income from export to EU market	2 875 400	3 823 000
Income from export to Belarus	437 800	157 200
Income from export to Uzbekistan	-	785 900
Other	753 366	94 500
Total	**7 881 366**	**7 240 950**

2. Production costs

Goods delivery expenses	53 555	39 738
Raw, material and spare parts expenses	4 138 306	4 344 654
Utility expenses	570 789	411 014
Salary expenses	1 439 116	1 138 513
Social insurance	343 735	271 838
Depreciation of fixed assets	150 755	145 019
Other production costs	286 585	198 794
Total	**6 982 841**	**6 549 570**

3. Selling expenses

Transportation costs	26 512	46 119
Salary	26 092	20 866
Other selling expenses	6 219	5 022
Total	**58 823**	**72 007**

4. Administrative expenses

Salary expenses	491 182	392 593
Social insurance	117 470	93 868
Office expenses	81 651	67 148
Representation costs	524	635
Depreciation of fixed assets	37 714	52 267
Other administrative costs	100 610	42 790
Total	**829 151**	**649 301**

5. Other income

Income from fixed assets sale	-	1 240
Incomes of the basic means	51 554	24 354
Other income	22 059	29 965
Total	**73 613**	**55 559**

6. Other expenses

Expenses of collective agreement	4 783	4 481
Other expenses	14	1 541
Total	**4 797**	**6 022**

7. Fixed assets

	Land and buildings	Equipment and machinery	Other fixed assets and inventory	Fixed assets under construction	**Total**
Cost / Valuation 01.01.2011.	**6 066 483**	**5 709 342**	**695 275**	**34 766**	**12 505 866**
Additions		99 327	6 455	151 637	257 419
Disposals		-43 784	-894	-105 782	-150 460
Reclassification					
Revaluation					
30.06.2011.	**6 066 483**	**5 764 885**	**700 836**	**80 621**	**12 612 825**
Depreciation 01.01.2011.	**918 553**	**4 599 191**	**575 195**		**6 092 939**
Charge	80 877	100 003	31 917		212 797
Disposals		-43 784	-894		-44 678
Reclassification					
Corrections for previous year's error					
30.06.2011.	**999 430**	**4 655 410**	**606 218**		**6 261 058**
Net book value 01.01.2011.	**5 147 930**	**1 110 151**	**120 080**	**34 766**	**6 412 927**
Net book value 30.06.2011.	**5 067 053**	**1 109 475**	**94 618**	**80 621**	**6 351 767**

8. Incomplete products

Unfinished production	303 438	537 149

9. Finished good and goods for sale

Finished products on stock	512 860	443 988
Canteen	90	128
Total	**512 950**	**444 116**

10. Trade receivables

Trade receivables	1 855 719	2 118 113
Total	**1 855 719**	**2 118 113**

11. Other current assets

VAT overpaid	19 557	25 881
Guarantee	47 886	42 719
Other debtors	27 468	30 284
Advance payment	256 052	70 920
Payment next periods	4 324	4 494
Total	**355 287**	**174 298**

12. Cash and bank

Cash in hand	1 927	825
Cash at bank	50 326	148 849
Total	**52 253**	**149 674**

13. Share capital

As at 30 Junie 2011 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

14. Loans from credit institutions

Long-term part	1 291 410	1 800 517
Short-term part	137 226	584 618
Total	**1 428 636**	**2 385 135**

15. Advances received from consumers

Latvia	104 534	56 103
Russia	148 653	102 304
EU market	214 667	364 296
Other	343 159	236 399
Total	**811 013**	**759 102**

16. Trade payables

Short-term part	2 652 910	2 335 641

17. Taxes and social insurance

	01.01. 2011.	Calculated	Budget restore/ move	(Paid)/ repaid	Transferred and corporate income tax (advances payment)	30.06.2011.
VAT	-42 412	-256 616			+279 471	-19 557
Personnel income tax	178 226	342 419		300 854	-87 905	131 886
Social insurance	250 893	694 825		469 497	-217 178	259 043
Corporate income tax	-25 779				+25 612/167	-
Real estate tax (land)		2 701		1 547		1 154
Real estate tax (buildings)		24 991		2		24 989
Natural resource tax	1 438	2 300		3 000		738
The state tax for company's business	257	1 534		1 535		256
Total	**362 623**	**812 154**		**776 435**	**+167**	**398 509**

Hereof:

Liabilities/	430 814	418 066
(Overpaid)	68 191	19 557

18. Average number of employees

Average number of employees	989	870

Natālija Petrova

Chairman of the Board

AS "Daugavpils Lokomotīvju Remonta Rūpnīca" Unified registration number 40003030219

Address: Daugavpils, Marijas iela 1 rate 0.702804

Cash flow statement

I. Cash flow from operating activities for 6 months 2011

Activities	30.06.2011. LVL		30.06.2011. EUR		30.06.2010. LVL		30.06.2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxes	364 435		518 544		1 285		1 828	
Adjustments: a) depreciation	214 910		305 789		216 545		308 116	
b) provision		30 148		42 897		48 183		68 559
c) profit or loss from fluctuacions of currency exchange		100 718		143 309	186 956		266 014	
Provision decrease								
Income from sale of fixed assets								
Interest exspenses								
Adjustments: a) Trade	55 555		79 048				555 476	
b) Net cash flow from operating activities		284 856		405 313	390 390		173 630	
c) Cash flow before extraordinary items		796 705		1 133 608	122 028	220 240		313 373
Gross cash flow operating activities					917 204	268 423	1 305 064	381 932
Corporate income tax paid								
Cash flow before extraordinary items	634 900	1 212 427	903 381	1 725 127	917 204	268 423	1 305 064	381 932
Net cash flow from operating activities		577 527		821 746	648 781		923 132	

II. Cash flows from investing activities

Activities	30.06.2011. LVL		30.06.2011. EUR		30.06.2010. LVL		30.06.2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Acguisition of fixed assets and intangible assets		151 637		215 760		66 763		94 995
Income from sale of fixed assets and intangible assets					1 240		1 764	
Parficipation in other companies								
Net cash flow from investing activities		151 637		215 760		65 523		93 231

III. Cash flows from financing activities

Activities	30.06.2011. LVL		30.06.2011. EUR		30.06.2010. LVL		30.06.2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	310 490		441 787					
Borrow ing repaid		138 723		197 385		545 549		776 246
Net cash flows from financing activities	171 767		244 402			545 549		776 246

IV. Total cash flow

Activities	30.06.2011. LVL		30.06.2011. EUR		30.06.2010. LVL		30.06.2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities		577 527		821 746	648 781		923 132	
Cash flow s from investing activities		151 637		215 760		65 523		93 231
Cash flow s from financing activities	171 767		244 402			545 549		776 246
Net cash flow of the current period		557 397		793 104	37 709		53 655	
Cash and cash eguivalents at the beginning of the reporting period	609 650		867 454		111 965		266 622	
Cash and cash eguivalents at the end of the reporting period	52 253		74 350		149 674		212 967	

Chairman of the Board N.Petrova Date 25.08.2011