JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 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 2011 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for **16 946.3** thousand lats, which constitutes 104.8% 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	2011	2010	(+, -)
Diesel locomotive repair, section	12 281.0	9 888.4	+2 392.6
Electric train repair,carrige	175.0	140.2	+34.8
Wheel pair repair, pieces	602.7	330.3	+272.4
Electric machines repair,pieces	833.3	415.6	+417.7
Diesel repair, peaces	-	42.3	-42.3
Other production	3 054.3	5 354.1	-2 299.8
Total	**16 946.3**	**16 170.9**	**+775.4**

Table No.2

The structure of the distributed goods by the clients.

The client	2011		2010	
	sum	%	sum	%
Latvia	2 794.6	16.5	1 597.6	9.9
Lithuania	540.2	3.2	1 353.4	8.4
Estonia	4 143.1	24.4	5 040.8	31.1
Belarus	743.3	4.4	477.7	3.0
Uzbekistan	307.6	1.8	314.6	1.9
Russia	7 516.7	44.4	5 883.1	36.4
Poland	119.5	0.7	35.3	0.2
Other	781.3	4.6	1 468.4	9.1
Total	**16 946.3**	**100.0**	**16 170.9**	**100.0**

II. Financial figures.

The enterprise finished 2011 year at la profit 376.0 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 1592 thousand lats of investments, including:

- ❖ Equipment putting into operation - 1319.2 thousand Ls
- ❖ Equipment repairs and room - 257.7 thousand Ls
- ❖ Furniture and equipment - 10.9 thousand Ls
- ❖ Computer programme - 4.2 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 December 31, 2011 and the result of its operations and cash flows for of the 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

31.12.2011

31.12.2011. balance Sheet

0.702804

ASSETS				
	31.12.2011.		31.12.2010.	
	LVL	**EUR**	**LVL**	**EUR**
Embedding long-term				
Non current assets				
Other non current embedding	17 261	24 560	17 550	24 971
Property				
Land, buildings and networks	5 085 550	7 236 086	5 147 930	7 324 845
Machinery and eguipment	2 345 610	3 337 502	1 110 151	1 579 603
Other property, plant and eguipment	85 098	121 084	120 080	170 858
Construction in progress	32 536	46 295	34 766	49 468
Total property, plant and eguipment	7 548 794	10 740 967	6 412 927	9 124 774
Embedding long-term financial				
Other embedding long-term financial			500	711
Total embedding long-term	7 566 055	10 765 527	6 430 977	9 150 456
Current assets				
Inventory	2 236 840	3 182 736	2 018 420	2 871 953
Debtors:				
Debts custom, customer	1 792 225	2 550 106	1 431 880	2 037 382
Other current assets	116 647	165 974	296 316	421 620
Corp. income tax (overpay)	-	-	25 779	36 680
Accumulate income	2 416 950	3 439 010	2 604 906	3 706 447
Cash and cash eguivalents	585 159	832 606	609 650	867 454
Total current assets	7 147 821	10 170 432	6 986 951	9 941 536
Total assets	14 713 876	20 935 959	13 417 928	19 091 992

31.12.2011. balance Sheet

0.702804

LIABILITIES				
	31.12.2011.		31.12.2010.	
	LVL	**EUR**	**LVL**	**EUR**
Shareholder' equity				
Share capital	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	-3 359 147
Current years profit or loses	+375 961	+534 944	+106 398	+151 391
Total shareholders' eguity	6 415 756	9 128 798	6 039 795	8 593 854
Liabilities				
Long-term liabilities				
Long-term loan from credit institution	2 106 739	2 997 620	1 365 539	1 942 987
Other liability	91 303	129 912	91 303	129 912
Deffered tax liability	371 786	529 004	371 786	529 004
Total	2 569 828	3 656 536	1 828 628	2 601 903
Current liabilities				
Loan from credit institution	1 518 414	2 160 508	290 338	413 114
Other loan	331 840	472 166	-	-
Trade payables	1 724 352	2 453 532	2 874 521	4 090 075
Accumulation	59 485	84 640	113 948	162 133
Corporate income tax liabilities				
Other liabilities	2 094 201	2 979779	2 270 698	3 230 913
Total current liabilities	5 728 292	8 150 625	5 549 505	7 896 235
Total	8 298 120	11 807 161	7 378 133	10 498 138
Total liabilities	14 713 876	20 935 959	13 417 928	19 091 992

Profit or loss account

For 2011

0.702804

	2011		2010	
	LVL	**EUR**	**LVL**	**EUR**
Net sales	17 344 055	24 678 367	16 446 650	23 401 475
Cost of sales	-14 903 561	-21 205 855	-14 989 476	-21 328 102
Gross profit (loss)	2 440 494	3 472 512	1 457 174	2 073 373
Sales and distribution expenses	-136 140	-193 710	-164 965	-234 724
Administrative expense	-1 787 324	-2 543 133	-1 513 142	-2 153 007
Other operating income	126 318	179 734	484 973	690 054
Other expenses	-11 206	-15 945	-16 993	-24 179
Other credit income	-256 181	-364 514	-104 114	-148 141
Profit or loss before extraordinary post and taxes	375 961	534 944	142 933	203 376
Corporate income tax	-	-	-36 535	-51 985
Profit or losses report on period	375 961	534 944	106 398	151 391
Profit coefficient on stock	+0.045	+0.064	+0.013	+0.018

OVERWIEW OF EQUITY CAPITAL CHANGES

For 2011

0.702804

	31.12.2011.		31.12.2010.	
	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	-1 878 463	-2 672 812	-2 254 424	-3 207 756
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	6 415 756	9 128 798	6 039 795	8 593 854

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:

	31.12.2011.	31.12.2010.
1 USD	0.544	0.5350
1 EUR	0.702804	0.702804
1 LTL	0.204	0.2030
1 RUB	0.0170	0.0176

(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

	2011	2010
According to operating activities		
Products production	16 946 334	16 170 860
Other	397 721	275 790
Total	**17 344 055**	**16 446 650**
According to the location		
Income from export to Latvia	3 154 568	1 873 281
Income from export to Russia	7 550 186	5 883 099
Income from export to EU market	4 807 021	6 429 525
Income from export to Belarus	743 288	477 722
Income from export to Uzbekistan	307 624	314 600
Other	781 368	1 468 423
Total	**17 344 055**	**16 446 650**

2. Production costs

Raw, material and spare parts expenses	8 895 145	8 811 815
Utility expenses	1 052 865	879 099
Salary expenses	3 088 626	2 695 971
Social insurance	737 501	643 384
Depreciation of fixed assets	303 660	334 631
Other production costs	825 764	1 624 576
Total	**14 903 561**	**14 989 476**

3. Selling expenses

Transportation costs	67 260	102 779
Salary	55 614	50 174
Other selling expenses	13 266	12 012
Total	**136 140**	**164 965**

4. Administrative expenses

Salary expenses	1 037 810	871 606
Social insurance	248 124	208 302
Office expenses	49 617	36 909
Representation costs	1 600	2 047
Depreciation of fixed assets	79 454	85 980
Communal costs	138 067	109 007
Other administrative costs	232 652	199 291
Total	**1 787 324**	**1 513 142**

5. Other income

Income from fixed assets sale	7 028	16 140
Rental income	79 658	48 806
Daughter companies disposal proceeds	-	273 087
Other income	36 632	146 940
Total	**126 318**	**484 973**

6. Other expenses

Expenses of collective agreement	10 978	8 547
Other expenses	228	8 446
Total	**11 206**	**16 993**

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	100 527	1 445 199	25 162	1 581 071	3 151 959
Disposals	-2 162	-177 075	-2 227	-1 583 301	-1 764 765
Reclassification					
Revaluation					
31.12.2011.	**6 164 848**	**6 977 466**	**718 210**	**32 536**	**13 893 060**
Depreciation 01.01.2011.	**918 553**	**4 599 191**	**575 195**		**6 092 939**
Charge	162 907	209 673	60 084		432 664
Disposals	-2 162	-177 008	-2 167		-181 337
Reclassification					
Corrections for previous year's error					
31.12.2011.	**1 079 298**	**4 631 856**	**633 112**		**6 344 266**
Net book value 01.01.2011.	**5 147 930**	**1 110 151**	**120 080**	**34 766**	**6 412 927**
Net book value 31.12.2011.	**5 085 550**	**2 345 610**	**85 098**	**32 536**	**7 548 794**

8. Inventory

Unfinished production	200 813	219 915
Materials	1 645 976	1 358 092
Finished goods and items for sale	390 051	440 413
Total	**2 236 840**	**2 018 420**

9. Trade receivables

Trade receivables	1 792 225	1 431 880
Total	**1 792 225**	**1 431 880**

10. Other current assets

VAT overpaid	-	42 412
Guarantee	8 272	45 320
Other debtors	17 741	21 621
Advance payment	71 526	181 686
Payment next periods	19 108	5 277
Total	**116 647**	**296 316**

11. Cash and bank

Cash in hand	1 545	792
Cash at bank	583 614	608 858
Total	**585 159**	**609 650**

12. Share capital

As at 31 December 2011 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

13. Loans from credit institutions

Long-term part	2 106 739	1 365 539
Short-term part	1 850 254	290 338
Total	**3 956 993**	**1 655 877**

14. Other liabilities

Accumulation for unused vacations	174 172	150 728
Advances from customers	1 332 969	1 066 724
Salary	258 672	253 143
Social insurance	129 858	250 893
Personnel income tax	68 847	178 226
Other taxes	1 353	1 695
Other	128 330	369 289
Total	**2 094 201**	**2 270 698**

15. Trade payables

Short-term part	1 724 352	2 874 521

16. Taxes and social insurance

	01.01. 2011.	*Calculated*	*Budget restore/ move*	*(Paid)/ repaid*	*Transferred and corporate income tax (advances payment)*	*31.12.2011.*
VAT	-42 412	-532 665		15 929	+599 444	-8 438
Personnel income tax	178 226	736 684		698 687	-147 376	68 847
Social insurance	250 893	1 468 441		1 111 819	-477 657	129 858
Corporate income tax	-25 779	95		553	+25 589/648	-
Real estate tax (land)		4 058		4 058		-
Real estate tax (buildings)		39 338		39 338		-
Natural resource tax	1 438	4 751		5 095		1 094
The state tax for company's business	257	3 101		3 099		259
Total	**362 623**	**1 723 803**		**1 878 578**	**+648**	**208 496**

Hereof:		
Liabilities/	430 814	208 496
(Overpaid)	68 191	-

17. Average number of employees

Average number of employees	1 000	922

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 2011

Activities	2011. LVL		2011. EUR		2010. LVL		2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxes	375 961		534 944		142 933		203 375	
Adjustments: a) depreciation	439 527		625 391		421 371		599 557	
b) provision		54 463		77 494	354 642		504 610	
c) profit or loss from fluctuacions of currency exchange	77 173		109 807		106 498		151 532	
Provision decrease								
Income from sale of fixed assets								
Interest exspenses								
Adjustments: a) Trade	33 059		47 039			813 559		1 157 590
b) Net cash flow from operating activities		218 420		310 783	827 413		1 177 303	
c) Cash flow before extraordinary items		1 326 666		1 887 676	937 387		1 333 782	
Gross cash flow operating activities	925 720	1 599 549	1 317 181	2 275 953	2 790 244	813 559	3 970 159	1 157 590
Corporate income tax paid						36 535		51 985
Cash flow before extraordinary items	925 720	1 599 549	1 317 181	2 275 953	2 790 244	850 094	3 970 159	1 209 575
Net cash flow from operating activities		673 829		958 772	1 940 150		2 760 584	

II. Cash flows from investing activities

Activities	2011. LVL		2011. EUR		2010. LVL		2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Acguisition of fixed assets and intangible assets		1 575 105		2 241 173		261 086		371 492
Income from sale of fixed assets and intangible assets					18 382		26 156	
Parficipation in other companies	500		711			6 500		9 249
Net cash flow from investing activities		1 574 605		2 240 462		249 204		354 585

III. Cash flows from financing activities

Activities	2011. LVL		2011. EUR		2010. LVL		2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	4 420 832		6 290 277					
Borrowing repaid		2 196 889		3 125 891		1 193 261		1 697 857
Net cash flows from financing activities	2 223 943		**3 164 386**			1 193 261		1 697 857

IV. Total cash flow

Activities	2011. LVL		2011. EUR		2010. LVL		2010. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities		673 829		958 772	1 940 150		2 760 584	
Cash flows from investing activities		1 574 605		2 240 462		249 204		354 585
Cash flows from financing activities	2 223 943		3 164 386			1 193 261		1 697 857

Net cash flow of the current period		**24 491**		**34 848**	**497 685**		**708 142**	
Cash and cash eguivalents at the beginning of the reporting period	**609 650**		**867 454**		**111 965**		**159 312**	
Cash and cash eguivalents at the end of the reporting period	**585 159**		**832 606**		**609 650**		**867 454**	

Chairman of the Board N.Petrova Date 31.12.2011