BAKER TILLY BALTICS

Baker Tilly Baltics SIA
Kronvalda bulv. 10-32
Riga, LV-1010
Latvia
Tel.: +371 6732 1000
Fax.: +371 6732 4444
www.bakertillybaltics.lv

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Daugavpils Lokomotīvju Remonta Rūpnīca AS

Report on the Financial Statements

We have audited the accompanying financial statements of Daugavpils Lokomotīvju Remonta Rūpnīca AS (the Company) set out on pages 5 to 29 of the annual report. These financial statements comprise the balance sheet as at 31 December 2013, and the income statement, statement of cash flow and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia On Annual Reports and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia On Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 as set on page 4 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements.

Baker Tilly Baltics SIA
Licence No. 80

Ēriks Bahirs
Certified Auditor
Certificate No.136
Chairman of the Board

Riga, 29 April 2014

Baker Tilly Baltics is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly UK Group LLP, the independent member of Baker Tilly International in the United Kingdom, is the owner of the Baker Tilly trademark. Baker Tilly Baltics is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Baltics, or any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. In addition, neither Baker Tilly International nor any other member firm has a right to exercise management control over any other member firm.

AS Daugavpils Lokomotīvju Remonta Rūpnīca

ANNUAL REPORT

for the period ended 31 December 2013

prepared in accordance wit Law On Annual Reports

CONTENTS

INFORMATION ON THE COMPANY

Name of the company	AS Daugavpils Lokomotīvju Remonta Rūpnīca
Legal status of the company	Joint Stock Company
Number, place and date of registration	Company Register Nr. 40003030219 Riga, 3 October 1991 Commercial Register Riga, 8 June 2004
Address	Marijas street 1 Daugavpils, LV-5401 Latvia
Type of operations	NACE: 30.20 Railroad locomotives and rolling stock manufacturing
Major Shareholders	AS Skinest Rail (Estonia) - 47,97% AS Spacecom (Estonia) - 25,27% Other shareholders - 26,76%
Names and positions of the Council members	Oleg Ossinovski - Chairman of the Council Aivar Keskula - Vice Chairman of the Council Sergei Jakovlev - Member of the Council Lauri Reinhold - Member of the Council (from 19.02.2014) Mihhail Terentjev - Member of the Council (from Tomas Petraitis - Member of the Council (till 19.06.2014) Natalja Kumar - Member of the Council (till 19.02.2014)
Names and positions of the Board members	Natālija Petrova - Chairman of the Board Eduards Krukovskis - Member of the Board Aleksejs Kolpakovs - Member of the Board Mihails Mamonovs - Member of the Board (till 19.02.2014)
Financial year	1 January, 2013 - 31 December, 2013
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

Basic activity of AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" (further - the Company) is railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts. The Company provides repair services of all types of railway rolling stock - diesel and electric locomotives and electric trains.

Performance of the Company during the financial year

In 2013 net sales of the Company were 25,7 million Ls (in 2012 - 30,6 million Ls). Sales of principal activity comprised 17.6 million Ls, that compile 18% reduction against to the 2012. In addition to principal activity the Company rendered to subsidiaries the following services: sales of materials, rent, administration and management services and others, which provides the additional net sales of 8.4 million Ls (in 2012 - 9.2 million Ls). During the reporting period the Company was working full-time and ended the year with a losses of 185,5 thousand Ls. During the reporting year, the Company has continued the acquisition of new products' manufacturing technology, using the equipment, that was purchased in 2011 in cooperation with ERDF funds. In 2012 the implementation process of a new resource planning system has been started, which is planned to be implemented till the end of 2014.

Performance of the Group during the financial year

In 2012 the Group's consolidated net sales amounted to 18 million Ls (decrease of 18% in respect of net sales of 2012).

The Group finished the year 2013 with losses 170,1 thousand Ls. In 2013 the Group exported its products to 8 countries, the total export volume amounted to 16,3 million Ls (in 2012 - 19.7 million Ls), while net sales in Latvia amounted to 1,7 million Ls (in 2012 - 2,3 million Ls). The main directions of export in 2013 were EU countries: Lithuania and Estonia, and third countries: Russia, Belarus and Uzbekistan.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 35

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

Future prospects

In 2014 the Company will continue the development in the sector of railway rolling stock repair and spare parts production, as well as continuing the started new projects in 2013. The Company plans to expand its customer base in the rolling stock repair and spare part production sector, as well as to attract customers to a new strands. The Company will continue the project of modernization of the existing infrastructure with ERDF funds financing assistance. Part of this project is expected to be completed at the end of 2014.

The Company's key priority remains - higher quality control for the services and goods produced and the extension of offered services and goods produced nomenclature.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management confirms that in preparation of financial statements on page 6 to page 29 decisions and assessments were made prudent and reasonable. Accounting policies compared with last year have not changed. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

INCOME STATEMENT

	Note	2013 Ls	2012 Ls
Net sales	(1)	25 748 981	30 591 062
Cost of sales	(2)	(24 415 102)	(28 364 920)
Gross profit or losses		**1 333 879**	**2 226 142**
Distribution expenses	(3)	(345 383)	(441 391)
Administrative expenses	(4)	(1 217 526)	(1 125 870)
Other operating income	(5)	146 673	244 974
Other operating expenses	(6)	(50 384)	(24 870)
Interest and similar expenses	(7)	(54 508)	(93 986)
Profit or losses before taxes		**(187 249)**	**784 999**
Corporate income tax	(8)	43 565	(76 701)
Other taxes	(9)	(41 824)	(44 283)
Net profit or losses		**(185 508)**	**664 015**
Earnings per share (in santims)	(10)		
Basic		(2,24)	8,01
Diluted		(2,24)	8,01

Notes on pages 11 to 29 are an integral part of these financial statements.

____
Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

BALANCE SHEET

	Note	31.12.2013. Ls	31.12.2012. Ls
ASSETS			
Non-current assets			
Intangible assets:			
Other intangible assets	(11)	12 623	13 243
Total intangible assets:		**12 623**	**13 243**
Fixed assets:			
Land and buildings	(11)	1 457 932	1 343 270
Equipment and machinery	(11)	2 703 818	2 532 982
Other fixed assets	(11)	57 887	53 547
Fixed assets under construction	(11)	256 580	126 211
Advances for fixed assets	(11)	972 948	-
Total fixed assets:		**5 449 165**	**4 056 010**
Investment property:			
Buildings	(11)	2 262 046	2 230 900
Total non-current financial investments:		**2 262 046**	**2 230 900**
Non-current financial investments:			
Investments in subsidiaries	(12)	22 000	22 000
Total non-current financial investments:		**22 000**	**22 000**
Total non-current investments:		**7 745 834**	**6 322 153**
Current assets			
Inventories:			
Raw materials and consumables	(13)	2 105 714	1 536 121
Finished goods and goods for sale	(14)	97 179	91 176
Advances for inventories		285 113	174 589
Total inventories:		**2 488 006**	**1 801 886**
Account receivable:			
Trade receivables	(15)	1 037 497	1 695 731
Receivables from group companies	(16)	2 188 577	2 809 200
Other receivables	(17)	192 431	26 142
Deferred expenses	(18)	20 842	18 916
Accrued income	(19)	2 512 380	3 745 360
Total receivables:		**5 951 727**	**8 295 349**
Cash and bank:	(20)	**150 777**	**27 613**
Total current assets:		**8 590 510**	**10 124 848**
Total assets		**16 336 344**	**16 447 001**

Notes on pages 11 to 29 are an integral part of these financial statements.

BALANCE SHEET

	Note	31.12.2013. Ls	31.12.2012. Ls
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	(21)	8 294 219	8 294 219
Non-current investments' revaluation reserve	(11)	1 127 798	1 145 942
Retained earnings			
previous year's retained earnings		(3 761 954)	(4 425 969)
current years profit or losses		(185 508)	664 015
Total equity:		**5 474 555**	**5 678 207**
Provisions:	(22)	560 007	495 006
Liabilities:			
Non-current liabilities:			
Loans from banks	(23)	1 580 766	1 268 387
Deferred income tax liabilities	(8)	253 415	300 182
Deferred income	(28)	371 060	387 926
Total non-current liabilities:		**2 205 241**	**1 956 495**
Current liabilities:			
Loans from banks	(23)	1 661 800	1 443 713
Other borrowings	(24)	175 701	-
Advances from customers		1 646 970	983 512
Trade payables		2 094 807	2 328 951
Payables to group companies	(25)	213 982	205 372
Taxes and social insurance payments	(26)	33 521	77 824
Other liabilities	(27)	189 488	55 506
Deferred income	(28)	16 866	18 714
Accrued liabilities	(29)	2 063 406	3 203 701
Total current liabilities:		**8 096 541**	**8 317 293**
Total liabilities:		**10 301 782**	**10 273 788**
Total equity, provisions and liabilities		**16 336 344**	**16 447 001**

Notes on pages 11 to 29 are an integral part of these financial statements.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Non-current assets revaluation reserve	Retained earnings	Total
		Ls	Ls	Ls	Ls
31.12.2011.		**8 294 219**	**1 179 108**	**(4 425 969)**	**5 047 358**
Disposal of revalued fixed assets	(11)	-	(39 019)	-	(39 019)
Changes in deferred tax liabilities	(8)	-	5 853	-	5 853
Profit for the year		-	-	664 015	664 015
31.12.2012.		**8 294 219**	**1 145 942**	**(3 761 954)**	**5 678 207**
Disposal of revalued fixed assets	(11)	-	(21 346)	-	(21 346)
Changes in deferred tax liabilities	(8)	-	3 202	-	3 202
Losses for the year		-	-	(185 508)	(185 508)
31.12.2013.		**8 294 219**	**1 127 798**	**(3 947 462)**	**5 474 555**

Notes on pages 11 to 29 are an integral part of these financial statements.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

CASH FLOW STATEMENT

	Note	2013 Ls	2012 Ls
Cash flow from operating activities			
Profit or losses before taxes		**(187 249)**	**784 999**
Adjustments for:			
depreciation of investment property, fixed and intangible assets	(11)	514 685	503 803
profit from sales and disposal of fixed assets	(5)	(21 346)	(41 830)
loss on disposal of investment in subsidiaries		-	480
changes in provisions		96 925	14 526
(gains)/losses from exchange rate fluctuations		(16 621)	(3 336)
interest expenses	(7)	49 760	82 043
Cash flow prior to changes in current assets and liabilities		**436 154**	**1 340 685**
Inventory (increase)/decrease		(694 173)	(264 618)
Account receivable (increase)/decrease		2 384 174	(1 781 546)
Account payable increase/(decrease)		(641 622)	1 700 458
Gross cash flow generated from operating activities		**1 484 533**	**994 979**
Interest paid		(52 518)	(76 586)
Corporate income tax paid		(93 273)	-
Net cash flow generated from operating activities		**1 338 742**	**918 393**
Cash flow from investing activities			
Acquisition of investment property, fixed and intangible assets	(11)	(1 938 366)	(697 085)
Proceeds from sales of fixed assets		-	44 549
Net cash flow generated from investing activities		**(1 938 366)**	**(652 536)**
Cash flow from financing activities			
Subsidies, grants or donations received		-	421 659
Loans received	(23), (24)	1 625 588	-
Loans repaid	(23), (24)	(902 800)	(1 241 709)
Net cash flow generated from financing activities		**722 788**	**(820 050)**
Net increase / (decrease) in cash and cash equivalents		**123 164**	**(554 193)**
Cash and cash equivalents at the beginning of the financial year		**27 613**	**581 806**
Cash and cash equivalents at the end of the financial year	(20)	**150 777**	**27 613**

Notes on pages 11 to 29 are an integral part of these financial statements.

____
Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle, that is modified by revaluation of tangible assets and investment property at fair value, as recognized in Notes (5) to accounting policies. The income statement is prepared in accordance with the turnover cost method. The cash flow statement has been prepared under indirect cash flow method.

(2) Reclassification of comparatives

Certain items have been classified differently than in previous year financial statements. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	2012 Name of line item	2013 Name of line item	Ls
Net gains from foreign exchange rate fluctuations	Interest and similar expenses	Other operating expenses	51 241

(3) Income recognition and net sales

Net sales contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:
Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
Rendering of services - under the stage of completion method;
Income from fines and penalties - at the moment of receiving the payments;
Interest income - on an accrual basis.

Income from repair and modernization services is recognised on the basis of percentage of completion method. Contract costs related to repair and modernization services are recognised when incurred. 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 construction 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 Company 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. 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.

The Company presents as an asset the gross amount due from the customers for contract work for all contracts in progress for which costs incurred plus recognized profit (less recognized losses) subtracting progress billings. Progress billings not yet paid by customers and retention are disclosed under "Trade receivables".

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses). Advances received from customers are disclosed under "Advances from customers".

(4) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
1 USD	0,515	0,531
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204
1 RUB	0,0156	0,0174

(5) Fixed and intangible assets

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets.

Buildings and constructions are recognized at fair value of regularly made independent evaluation, less accrued depreciation. Land is recognized at fair value of regularly made independent evaluation. The difference that appears from revaluation is recognized in equity under "Non-current assets revaluation reserve". All other fixed and intangible assets arerecognized at acquisition cost less accumulated depreciation. The acquisition costs include all related expenses of asset acquisition.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation % per annum
Intangible assets	20
Buildings	1,11 - 20
Technological equipment	4 - 20
Other machinery and equipment, transport vehicles	20

The Company capitalizes its fixed assets valued over Ls 300 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than Ls 300 is calculated at 100% after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

(6) Investment property

Investment property is property (land, building or part of building) held by the Company (as owner or by lessee under a finance lease) to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

Investment property initially recognized at purchase cost. Further the investment property are recognized at fare value of regularly made independent evaluation, less accrued depreciation. Differences in value arising from revaluation is recognized in equity under “Long-term assets revaluation reserve".

Depreciation of buildings is calculated on a straight-line basis applying the following rates of depreciation, based on their estimated useful life:

	Depreciation % per annum
Buildings	1,67 - 10

(7) 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.

(8) Inventories

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling and administration expenses have not included in cost. Cost is stated on the FIFO method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

(9) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

(10) Investments in group and associates, other financial investments

Non-current financial investments, including investments in subsidiaries and associates, are stated at cost less impairment losses.

(11) 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.

(12) 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.

(13) 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 of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis, unless the deferred tax asset or liability is not the initial recognition, that are not business merging and at the transaction time does not affect the financial nor taxable profit. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

(14) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(15) Grants

Grants or subsidies received for the acquisition of fixed assets or other non-current assets are recorded as "Deferred income" and recognized as an income in the income statement on straight-line basis over the useful life of the assets acquired. Other subsidies or grants to cover the expenses are recognized as an income in the same period when the respective expenses have arisen and all material conditions in respect of the grants received has been fulfilled. Grants are recognized in the financial statements in the period, in which the grants are received.

(16) 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.

(17) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

(18) Related parties

Related parties are considered Group and associated companies, Board and Council members, their close family members and companies, in which the previously mentioned persons/Group companies have significant influence or control.

II. OTHER NOTES

(1) Net sales

	2013	2012
	Ls	Ls
a) By operating activities		
Income from railway rolling stock repair and upgrade services	15 541 550	19 701 174
Income from sales of materials (see Note (34))	6 566 706	7 448 382
Income from sales of railway rolling stock	1 804 501	1 658 911
Income from rent of premises and equipment (see Note (34))*	1 264 354	1 268 143
Other income	359 030	279 025
Management and administrative services (see Note (34))	192 817	192 817
Other income from transactions with subsidiaries (see Note (34))	20 023	42 610
	25 748 981	**30 591 062**

* Rental income

The Company rents most of the property, plants and equipment and other tangible assets to its subsidiary SIA "Remenergo". Rental income for property, plants and equipment in 2013 amounted to Ls 1 264 354 (2012 - Ls 1 268 143). Rent agreements are signed till 31 December 2014.

b) By location

The Company operates in Latvian territory by selling repair services and spare parts on the domestic market, as well as performing this service and goods exports.

The Company's activity is divided into several geographic markets, which is provision of services and sale of goods to Latvian residents, income from the export of services, broken down by country of Object registration, and income from export of goods, which are divided according to customer's country of registration.

	2013	2012
	Ls	Ls
Income from sales of goods/services to Russia	10 660 492	14 889 220
Income from sales of goods/services in Latvia	9 615 634	11 109 967
Income from sales of goods/services to EU	3 983 934	2 805 581
Income from sales of goods/services to Belarus	1 085 059	668 976
Income from sales of goods/services to Uzbekistan	212 021	924 864
Income from sales of goods/services to other countries	191 841	192 454
	25 748 981	**30 591 062**

(2) Cost of sales

Service costs from subsidiaries	15 112 365	14 048 535
Costs of materials and goods from subsidiaries and others	7 784 269	13 109 670
Depreciation of fixed assets	404 460	412 455
Other production costs	616 470	337 436
Utility expenses	206 433	211 373
Expenses related to purchase of materials and goods	154 168	144 495
Salary expenses	58 053	49 995
Changes in provisions for warranty repairs	65 001	38 999
Social insurance costs	13 883	11 962
	24 415 102	**28 364 920**

(3) Distribution expenses

	2013	2012
	Ls	Ls
Brokerage services	97 666	244 881
Salary expenses	95 467	79 924
Transport costs	95 445	83 900
Social insurance costs	22 853	19 117
Other distribution costs	33 952	13 569
	345 383	**441 391**

(4) Administrative expenses

Salary expenses	584 548	530 980
Social insurance costs	139 302	126 578
Utility expenses	126 575	131 582
Other administration costs	123 007	106 478
Depreciation of fixed assets	109 209	90 262
Other personnel costs	49 172	66 647
Office maintenance costs	44 570	47 664
Professional service costs	20 773	7 866
Rent expenses	17 649	15 981
Representation costs	2 721	1 832
	1 217 526	**1 125 870**

(5) Other operating income

Rental income	81 422	49 591
Net income from sale and disposal of fixed assets, including write-off of revaluation reserve	21 346	41 830
Received ERDF grant (see Note (28)) for the acquisition of assets	16 866	17 220
Other income	11 558	25 297
Other financing from EU funds	9 871	-
Net gain from exchange rate fluctuations	5 610	51 241
Changes in provisions for financial support (see Note (22))	-	59 795
	146 673	**244 974**

(6) Other operating expenses

Costs of collective employment agreement	27 100	11 870
Other costs	5 579	6 710
Impairment losses for receivables	17 705	6 290
	50 384	**24 870**

(7) Interest and similar expenses

Interest expense	56 969	82 043
(Capitalized interest)	(7 209)	-
Interest expense, net	49 760	82 043
Penalties paid	4 748	11 943
	54 508	**93 986**

(8) Corporate income tax

a) Components of corporate income tax	2013 Ls	2012 Ls
Changes in deferred income tax	(43 565)	43 785
Corporate income tax according to the tax return	-	32 916
	(43 565)	**76 701**

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2013 Ls	2012 Ls
Profit before taxes	(187 249)	784 999
Real estate taxes	(41 824)	(44 283)
Profit before corporate income tax	(229 073)	740 716
Theoretically calculated tax at 15% tax rate	**(34 361)**	**111 107**
Tax effects on:		
Permanent differences	9 302	8 104
Tax discount for the acquisition new technological equipment	(13 947)	(16 046)
Tax losses forwarded from other group companies	-	(26 379)
Tax discount for reinvested profit	(4 559)	(85)
Total corporate income tax expenses	**(43 565)**	**76 701**

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	300 182	262 250
Deferred tax charged to the income statement	(43 565)	43 785
Changes in deferred tax recognised in non-current investment (fixed assets) revaluation reserve	(3 202)	(5 853)
Deferred tax liabilities (asset) at the end of the financial year	**253 415**	**300 182**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013. Ls	31.12.2012. Ls
Temporary difference on depreciation of fixed, intangible assets and investment property	400 452	388 682
Gross deferred tax liabilities	**400 452**	**388 682**
Provisions for financial support and warranty costs	(84 002)	(74 251)
Provisions for impairment of inventories	(17 252)	(14 249)
Tax losses carried forward	(45 783)	-
Gross deferred tax assets	**(147 037)**	**(88 500)**
Net deferred tax liability (assets)	**253 415**	**300 182**

(9) Other taxes

	2013 Ls	2012 Ls
Real estate tax for land	3 968	3 973
Real estate tax for buildings	37 856	40 310
	41 824	**44 283**

(10) Earnings per Share (Expressed in Santims per Share)

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	2013	2012
Profit attributed to shareholders of the Company (Ls)	(185 508)	664 015
Average annual number of shares	8 294 219	8 294 219
Earnings per share (expressed in santims)	**(2,24)**	**8,01**

(11) Intangible, fixed assets and investment property

	Intangible assets	Investment property	Property, plant and equipment				
	Concessions, licenses, trade marks etc.	Buildings	Lands and buildings	Equipment and machinery	Other assets	Assets under construction and advances for fixed assets	Property, plant and equipment total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Cost							
31.12.2012.	26 515	2 858 091	1 801 286	7 358 845	729 556	126 211	10 015 898
Additions	-	-	-	-	-	1 938 366	1 938 366
Disposals	-	-	-	(51 098)	(158 307)	-	(209 405)
Reclassification	5 622	132 361	158 962	514 237	23 867	(835 049)	(137 983)
31.12.2013.	32 137	2 990 452	1 960 248	7 821 984	595 116	1 229 528	11 606 876
Depreciation							
31.12.2012.	(13 272)	(627 191)	(458 016)	(4 825 863)	(676 009)	-	(5 959 888)
Calculated	(6 242)	(101 215)	(44 300)	(343 401)	(19 527)	-	(407 228)
Disposals	-	-	-	51 098	158 307	-	209 405
31.12.2013.	(19 514)	(728 406)	(502 316)	(5 118 166)	(537 229)	-	(6 157 711)
Net carrying amount 31.12.2012.	**13 243**	**2 230 900**	**1 343 270**	**2 532 982**	**53 547**	**126 211**	**4 056 010**
Net carrying amount 31.12.2013.	**12 623**	**2 262 046**	**1 457 932**	**2 703 818**	**57 887**	**1 229 528**	**5 449 165**

In accordance with the accounting policy of the Company, all land and buildings owned by Company, except those which are leased out to subsidiaries of the Company, are classified as tangible assets (see Note (34)), other land and buildings classified as investment property.

Intangible, fixed assets and investment property (continuation)

a) Fixed assets and Investment property revaluation

In 1996, 1999 and 2001 the Company has revaluated land, buildings and equipment. Respectively in 1996 value of tangible assets was increased by Ls 659 538, in 1999 by Ls 1 317 852 and in 2001 by Ls 889 954. Real estate market value was determined using the sales comparison method, as well as revenue discounting method. The difference accrued in the result of revaluation is recognized in the equity item "The long-term assets revaluation reserve".

With the assistance of licensed independent experts in 2007, 2008 and 2009 the Company has revaluated its own land and buildings. The increase of value occurred as a result of revaluations was in the amount of Ls 2 534 868 in 2007 and Ls 1 357 166 in 2008 and Ls 288 815 in 2009 (less the amount of deferred tax liabilities related to the revaluation of tangible assets) are deducted from revaluation reserves. As per management's estimates no significant factors were identified during the reporting period, that would have a material effect on the changes of the assets value, as a result no impairment test on assets was performed.

Had not the revaluation been performed the value of land and building (total value for fixed assets and investment property) would be the following:

	31.12.2013. Ls	31.12.2012. Ls
Cost	5 227 787	4 936 517
Accumulated depreciation	(1 898 697)	(1 817 442)
Net carrying amount	**3 329 090**	**3 119 075**

Total fixed assets and investment property revaluation amount on the 31 December 2013, less deferred tax effect, was Ls 1 127 798 (31.12.2012 - Ls 1 145 942).

b) Capital commitment for acquisition of fixed assets

During the reporting year, the Company has initiated agreements with the Latvian Investment and Development Agency (LIAA) within the EU co-funded project "High value-added investments' execution". Financing for the Company will be available of 35% of the eligible project costs, provided that the terms for the financing specified in the agreement will be satisfied. Within the project the Company has signed contracts with 18 suppliers for equipment purchases. Till the end of the year in accordance with the agreements advances have been paid for equipment in amount of LVL 972 948, which are recognized in the item "Advances for fixed assets." Following the signed agreements the Company has obligation to make total payments for equipment in the amount of LVL 2 560 924.

c) Other notes

Company's land plots cadastral value on 31 December 2013 is Ls 332 902 (31.12.2012 - Ls 332 060), the cadastral value of buildings is Ls 3 251 563 (31.12.2012 - Ls 3 312 633).

Information on pledged fixed assets and investment properties is disclosed in the Note (23) to the financial statements.

(12) Equity investments

a) movement of investments

	Non-current	
	Investments in subsidiaries	**Total**
	Ls	**Ls**
Cost		
31.12.2012.	22 000	22 000
31.12.2013.	22 000	22 000
Changes of value of investments		
31.12.2012.	-	-
31.12.2013.	-	-
Net carrying amount 31.12.2012.	**22 000**	**22 000**
Net carrying amount 31.12.2013.	**22 000**	**22 000**

b) investments in subsidiaries

		Participating interest		Equity		Profit/(loss)	
Name	**Address**	**31.12.2012.**	**31.12.2013.**	**31.12.2012.**	**31.12.2013.**	**2012**	**2013**
		%	**%**	**Ls**	**Ls**	**Ls**	**Ls**
SIA REL	Marijas 1, Daugavpils	100%	100%	(58 662)	(33 292)	2 554	25 370
SIA Elap	Marijas 1, Daugavpils	100%	100%	36 152	68 440	9 201	32 288
SIA Remdīz	Marijas 1, Daugavpils	100%	100%	(58 705)	(74 107)	130 736	(15 402)
SIA Ritrem	Marijas 1, Daugavpils	100%	100%	143 030	202 133	31 700	59 103
SIA Elektromaš	Marijas 1, Daugavpils	100%	100%	344 255	430 519	138	86 264
SIA Krāsotājs	Marijas 1, Daugavpils	100%	100%	(132 708)	(117 709)	39 784	14 999
SIA SPZČ	Marijas 1, Daugavpils	100%	100%	(16 776)	117 938	236 866	134 714
SIA Metalurgs	Marijas 1, Daugavpils	100%	100%	(201 063)	(516 705)	(174 806)	(315 642)
SIA Remenergo	Marijas 1, Daugavpils	100%	100%	(129 499)	(78 209)	51 361	51 290
SIA Instruments	Marijas 1, Daugavpils	100%	100%	(107 506)	(107 506)	(12)	-
SIA Loģistika	Marijas 1, Daugavpils	100%	100%	9 045	10 279	1 112	1 234
				(172 437)	**(98 219)**	**328 634**	**74 218**

The activity of subsidiary companies is the overhaul repair of different parts of railway rolling stock, maintenance and upgrade, as well as additional function performance, including:

SIA REL	Railway rolling stock carboy repair and upgrade
SIA Elap	Repair and upgrade of electric equipment of rolling stock
SIA Remdīz	Repair of engine and it's knots of rolling stock
SIA Ritrem	Repair and upgrade of wheel couples and lorry, it's knots of rolling stock
SIA Elektromaš	Repair and producing of electromotor, generators and transformers
SIA Krāsotājs	Dyeing of rolling stock
SIA SPZČ	Repair and production of spare parts
SIA Metalurgs	Metal foundry
SIA Remenergo	Maintenance of movable property and real estate, technical control and overhaul of buildings, constructions and producing equipment, rendering services of public facilities to Group companies
SIA Instruments	Not active
SIA Loģistika	Logistics, loading, unloading services

(13) Raw materials and consumables

	31.12.2013. Ls	31.12.2012. Ls
Book value of raw materials and consumables	2 195 814	1 606 192
(Provisions for damaged and slow moving stock)	(90 100)	(70 071)
	2 105 714	**1 536 121**

(14) Finished goods and goods for resale

Finished goods	121 984	115 981
Other goods for sale	115	115
(Provisions for damaged and slow moving stock)	(24 920)	(24 920)
	97 179	**91 176**

(15) Trade receivables

Book value of trade receivables	2 007 203	2 653 542
(Provisions for bad and doubtful debts)	(969 706)	(957 811)
	1 037 497	**1 695 731**

Provisions for bad and doubtful debts have been created in the amount of 50% - 100% of their book value.

Movement of provisions for trade receivables is the following:	31.12.2013. Ls	31.12.2012. Ls
Provisions at the beginning of the year	957 811	952 001
Decrease of provisions for written off bad debts	(5 810)	-
Provisions created in the reporting period	17 705	5 810
Provisions at the year end	**969 706**	**957 811**

(16) Receivables from group companies

Settlements with subsidiaries (see Note (34))	2 127 913	2 748 536
Loans to subsidiaries (see Note (34))	60 664	60 664
	2 188 577	**2 809 200**

(17) Other receivables

Corporate income tax overpaid (see Note (26) for details)	61 220	-
Retentions on contracts	42 628	13 463
Other receivables	39 470	9 283
VAT overpaid (see Note (26))	32 385	-
VAT for advances received	15 467	2 761
Payments for other loans	1 240	-
Payments to personnel	21	635
	192 431	**26 142**

(18) Deferred expenses

	31.12.2013	41274
	Ls	Ls
Insurance payments	17 923	14 922
Other expenses	2 919	3 994
	20 842	**18 916**

(19) Work-in-progress on repair and modernisation services

Costs incurred and profit recognised as income	2 512 380	3 745 360
Gross amount of accrued income	**2 512 380**	**3 745 360**
where:		
Work-in-progress as assets (under "Accrued income")	2 512 380	3 745 360
	2 512 380	**3 745 360**
Corresponding amounts:		
Contract revenue recognised in income statement (under "Net sales")	15 541 550	19 701 174
Advances received from customers (under "Advances from customers")	1 646 970	983 512
Retentions on contracts (under "Other receivables")	42 628	13 463

(20) Cash and bank

	31.12.2013.	31.12.2012.
	Ls	Ls
Cash at bank on current accounts	150 106	26 226
Cash on hand	671	1 387
	150 777	**27 613**

(21) Share capital

Registered and fully paid share capital of the Company is Ls 8 294 219, which consist of 8 294 219 fully paid registered shares. Nominal value of each share is Ls 1. All shares guarantees equal rights to dividends, reception of liquidation quotas and suffrage in shareholder's meeting. One share gives rights to 1 vote. All shares are dematerialized. The Company do not hold own shares or someone else in it's interest. Shares are not convertible, exchangeable or guaranteed.

The Company's shares are quoted in AS NASDAQ OMX stock exchange in second list. At the end of financial period 8 294 219 shares are quoted.

(22) Provisions

	Provisions for warranty costs	Provisions for financial support to subsidiaries	Total
	Ls	Ls	Ls
31.12.2011.	**14 730**	**501 072**	**515 802**
Increase	38 999	-	38 999
Decrease	-	(59 795)	(59 795)
31.12.2012.	**53 729**	**441 277**	**495 006**
Increase	65 001	-	65 001
31.12.2013.	**118 730**	**441 277**	**560 007**

a) Provision for warranty costs

In accordance with sales contracts the Company provides free of charge warranty repairs under general repair terms. Taking into account that the rolling stock repairs actually are carried out by the subsidiaries of the Company, which estimates the provisions for warranty repairs in its individual financial statements, the provision in financial statements of the Company are valued as difference between the Group's estimated warranty costs and provisions for warranty created by subsidiaries.

b) Provisions for financial support

In accordance with Group's operation model described in Note (34) the Company provides to subsidiary's the financial resources for supporting their operations. Subsidiaries results of operations and financial positions are disclosed in Note (12) to the financial statements. Taking into account that part of subsidiaries have negative financial results of operations, it is expected that the Company or the Group's other subsidiaries may not recover the investment or the debt of those companies. The Company issued a support letter to all subsidiaries companies for the further financial support.

The Company makes provisions for its contingent liabilities for guarantees issued to subsidiaries to support the operations. The provisions are calculated based on the projected financial results and cash flows of the subsidiaries. In the current year the subsidiaries' financial performance and position has improved thus the total negative equity of all subsidiaries decreased to Ls 98 219. However the Company has not made the decision on the potential reorganization of some loss making subsidiaries, therefore, based on conservative approach, the level of provisions has not been decreased in the current year.

(23) Loans from banks

	Note	31.12.2013.	31.12.2012.
		Ls	Ls
Non-current			
Investment credit in USD	a)	337 494	537 769
Investment credits with EU structural funds co-financing in EUR	c)	1 040 221	416 825
Investment credit in EUR	b)	203 051	313 793
		1 580 766	**1 268 387**
Current			
Credit line in EUR	d)	1 032 459	996 073
Investment credits with EU structural funds co-financing in EUR	c)	334 528	147 108
Current part of investment credit in USD	a)	184 071	189 790
Current part of investment credit in EUR	b)	110 742	110 742
		1 661 800	**1 443 713**

a) On October 2011, the Company signed a contract with SWEDBANK AS for investment loan USD 1 755 394. The loan must be repaid till 31.10.2016. The interest rate is 1.29% plus 3 months LIBOR.

b) On October 2011, the Company has signed a contract with SWEDBANK AS for investment loan of EUR 773 948 amount. The loan to be repaid until 31.10.2016. The interest rate is 1.5% + 3 month EURIBOR.

Loans from banks (continuation)

c) On October 2011, the Company signed an agreement with SWEDBANK AS for investment loans, which provides financing of EUR 1 559 392 for EU Structural Funds project. The loan must be repaid till 31.10.2016. The interest rate is 1.5% + 3 month EURIBOR. In February 2012 from LIAA a payment was received in amount of LVL 421 659, by which liabilities to SWEDBANK AS were partly covered.

During the financial year, the Company signed a supplementary agreement with SWEDBANK AS for investment loan, which intended to finance equipment under the new agreement with LIAA, loan amount of EUR 4 400 000 with a maturity date 07.05.2015. The interest rate is 2.7% + 3 month EURIBOR until the equipment has been put into operation (final deadline of 31.12.2014) and the funding is received, subsequently fixed rate decreases to 2.4%.

d) On October 2011, the Company has signed a contract with SWEDBANK AS on the granting of credit line of EUR 1 500 000. The credit line repayable by 31.12.2014. The interest rate is 1.75% + 3month EURIBOR and 0.2% per annum on the amount of unused credit line. Starting from 31.01.2014 interest rate has been increased to 2.2% + 3month EURIBOR and 0,3% per annum on the amount of unused credit line.

The implementation of obligations of the Company are provided and strengthened by:
(i) mortgage on all real estate belonged to the Company;
(ii) commercial pledge of all property of the Company as a totality of belongings at the mortgage moment, as well as totality of belongings for the next components.
The value of Company's mortgaged balance assets on 31 December 2013 is Ls 16 336 344 (31.12.2012 - Ls 16 447 001).

(24) Other borrowings

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
Loan from AS Skinest Rail (see Note (34))	175 701	-
	175 701	**-**

In 2013 Company received a loan from AS Skinest Rail of EUR 950 000. Part of the loan in the amount of EUR 700 000 was repaid in the beginning of September, 2013. The loan maturity date is 19.08.2014. The interest rate per annum is 12%.

(25) Payables to group companies

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
Settlements with subsidiaries (see Note (34))	213 982	205 372
	213 982	**205 372**

(26) Taxes and social insurance payments

	31.12.2012.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to/(from) other taxes	31.12.2013.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT*	10 675	(633 819)	-	12 721	578 038	(32 385)
Personal income tax	11 733	141 040	-	(141 629)	-	11 144
Social insurance payments	20 782	261 806	-	(20 820)	(240 703)	21 065
Corporate income tax	32 916	-	111	(93 273)	(974)	(61 220)
Real estate tax (land)	-	3 968	7	(3 975)	-	-
Real estate tax (buildings)	-	37 855	83	(37 938)	-	-
Natural resource tax	1 687	6 850	3	(7 262)	-	1 278
Enterprise risk duty	31	410	-	(407)	-	34
Total	**77 824**	**(181 890)**	**204**	**(292 583)**	**336 361**	**(60 084)**
Hereof						
(Overpaid) - see Note 17 for details	**-**					**(93 605)**
Payables	**77 824**					**33 521**

In 2013 the Company has used the 100% exemption from natural resource tax as it is involved in voluntary program of packaging waste management.

* The Company with subsidiaries forms a single VAT group. The Company makes payments to the budget for the whole VAT group. In the financial statements the movement of VAT liabilities reflects the Company's settlements for VAT group. Net transferred tax amount of Ls 336 361 corresponds to the tax liability net movement between the Company and other members of the VAT group.

(27) Other liabilities

	31.12.2013.	31.12.2012.
	Ls	Ls
VAT from the advances	124 277	-
Payroll liabilities	40 930	40 440
Other liabilities	24 281	15 066
	189 488	**55 506**

(28) Deferred income

Non-current		
Received grant for the acquisition of non-current assets	371 060	387 926
	371 060	**387 926**
Current		
Other income	-	1 848
Received grant for the acquisition of non-current assets	16 866	16 866
	16 866	**18 714**

In 2011 the Company entered into an agreement with Latvian Investment and Development Agency (LIAA) for participation in the project "The development of new products and technologies - support to introduction of new products and technologies in production". Financing was used to purchase new technological equipment. In 2012 the Company has received the funding in amount of Ls 421 659.

The Company has an obligation during 5 year period from the receiving of the funds to comply with the terms of grant contract is respect of use of the assets in the Project activity place and for the intended purpose, not alienating and not to transfer the assets for use by third parties, insuring the property and performing of other duties. In the event of non-compliance with the conditions specified in, the Company may be obliged to repay the funds. The management assesses, that the this probability is very insignificant.

(29) Accrued liabilities	**31.12.2013.** **Ls**	**31.12.2012.** **Ls**
Accrued liabilities to subsidiaries*	1 934 112	3 010 127
Accrued liabilities to other suppliers	84 507	136 439
Accrued unused annual leave	44 787	57 135
	2 063 406	**3 203 701**

* The Company and its subsidiaries use the single policy of revenue recognition for repair services (see Note (2) to the accounting policies). The Company's accrued liabilities recognized at the end of reporting year of Ls 1 934 112 (31.12.2012 - Ls 3 010 127) is equal to the accrued income for work-in-progress which are recognized in financial statements of all subsidiaries.

(30) Fees paid to auditors	**2013** **Ls**	**2012** **Ls**
For the audit of financial statements	6 677	6 677
	6 677	**6 677**

(31) Average number of employees	**2013**	**2012**
Average number of people employed during the financial year	126	122

(32) Remuneration to personnel	**2013** **Ls**	**2012** **Ls**
Employee pay	738 068	660 899
Social insurance payments	176 038	157 657
Other expenses	102 330	104 794
	1 016 436	**923 350**

(33) Remuneration to the management

Board members		
· salary expenses	97 103	73 372
· other social insurance expenses	23 392	17 675
	120 495	**91 047**

(34) Transactions with related parties

As mentioned in Note (12), the Company holds 100% shares of subsidiary companies SIA Rel, SIA Elap, SIA Remdiz, SIA Ritrem, SIA Elektromaš, SIA Krāsotājs, SIA SPZČ, SIA Metalurgs, SIA Remenergo, SIA Instruments and SIA Loģistika. Claims and liabilities against subsidiary companies are classified as receivables and payables to Group companies accordingly.

The main shareholders of the Company - AS Skinest Rail (Estonia) and AS Spacecom (Estonia) have a significant influence in determination of the Company's policy and decision making. Disclosed below is information on transactions with these companies as well as with other companies, which are related to AS Skinest Rail (Estonia) and AS Spacecom (Estonia).

a) claims and liabilities

	Notes	31.12.2013. Receivables Ls	31.12.2013. Payables Ls	31.12.2012. Receivables Ls	31.12.2012. Payables Ls
Group companies	(16), (25)	2 188 577	213 982	2 809 200	205 372
Other related companies		40 475	1 220 756	371 709	1 438 819
		2 229 052	**1 434 738**	**3 180 909**	**1 644 191**

b) transactions

	Notes	Sales / Return to related parties 2013 Ls	Sales / Return to related parties 2012 Ls	Purchases from related parties 2013 Ls	Purchases from related parties 2012 Ls
Group companies					
Repair services of railway rolling stock	a)	-	-	14 977 680	13 991 670
Sales/purchases of materials		6 566 706	7 448 382	1 115 017	1 271 182
Rent of premises and equipment	1 a)	1 264 354	1 268 143	16 025	15 981
Administrative and management	b)	192 817	192 817	-	-
Other transactions		302 339	389 886	318 909	260 595
Total Group companies:		**8 326 216**	**9 299 228**	**16 427 631**	**15 539 428**
Other related parties					
Repair services of railway rolling stock		6 586 387	5 689 060	-	-
Sales/purchases of materials		125 238	186 928	4 252 145	5 303 582
Other transactions		1 804 501	1 331 111	286 612	83 893
Total other related parties:		**8 516 126**	**7 207 099**	**4 538 757**	**5 387 475**
		16 842 342	**16 506 327**	**20 966 388**	**20 926 903**

a) Starting from 2007 the Company provides repair of the railway rolling stock by purchasing repair services from its subsidiaries. The largest subsidiaries, providing the Company with railway rolling stock repair services, are SIA Rel, SIA Elap, SIA Remdīz, SIA Elektromaš, SIA Ritrem un SIA Krāsotājs. Each of these mentioned companies carry out the separate part of mentioned services according to every subsidiary's activity (see Note (12)). Respectively, SIA Remenergo, SIA SPZČ, SIA Instruments, SIA Metalurgs and SIA Loģistika mainly provide assistance functions in railway rolling stock repair works. These services are provided to other subsidiaries, as well as to the Company. Transaction amount disclosed in this Note does not include accrued liabilities for work-in-progress.

b) The Company provides administrative management services for subsidiaries, which include accounting, economic, control and metrology, technical services and supplement technological process with services of engineers - constructors.

(35) Financial risk management

Financial risks, related to the financial instruments of the Company, mainly, are currency risk, interest rate risk, liquidity risk and credit risk. The management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Foreign currency risks

The Company acts internationally and is exposed to foreign currency exchange rate fluctuation risk arising from the currency fluctuations of US Dollar (USD) and Russian ruble (RUB) to lats and against other currencies fixed to euro. The risk of foreign currency comes from future commercial transactions, recognized assets and liabilities. The majority of raw materials are purchased by the Company in euro, RUB and US dollars, but the significant part of the production is sold in the domestic market and exported to the markets where euro and RUB dominate.

At the end of the year the Company has an open position in euro, but considering held in 2014 Latvian national currency changeover to the euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

The companies foreign exchange open position is:

	31.12.2013.	**31.12.2012.**
Financial assets, USD	650 357	551 349
Financial liabilities, USD	(1 623 458)	(2 569 291)
Open position USD, net	(973 101)	(2 017 942)
Open position USD, calculated in lats, net	**(501 147)**	**(1 071 527)**
Financial assets, RUB	35 835 842	75 349 052
Financial liabilities, RUB	(72 108 110)	(19 154 835)
Open position RUB, net	(36 272 268)	56 194 217
Open position RUB, calculated in lats, net	**(565 847)**	**977 779**

Interest rate risks

The Company is exposed to interest rate risk as the most liabilities are interest-bearing with the floating interest rate (see Note (23)), while the main part of the Company's financial assets are interest-free receivables, therefore the Company is exposed to floating interest rate risk. In 2013 the amount of interest-bearing liabilities have increased.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers and customers, related parties receivables, other receivables and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts. See also Note (22) on provisions created for financial support to subsidiaries.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents and also using the bank credit line facilities.

(36) Subsequent events

The company together with AS Rīgas Vagonbūves Rūpnīca un AS VRC Zasulauks, as an association of persons, won in AS Pasažieru vilciens open tender for the modernization of wagons of diesel trains and in 31 January 2014 signed the agreement with AS Pasazieru vilciens. In order to comply this agreement, the Company together with AS Rīgas Vagonbūves Rūpnīca un AS VRC Zasulauks established the general partnership "DMU vilcieni", in which the Company owns 50% of voting rights. Completion date of the agreement is end of 2015 and by the estimates of the management, the Company's part of the total work could reach EUR 9.5 million.

____
Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

The annual report has been approved by the general meeting of members 29 April 2014.