JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 3 months 2013

TABLE OF CONTENTS:

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 Natalja Kumar – Member of the Council Sergei Jakovlev - Member of the Council Tomas Petraitis - Member of the Council
Names and positions of the Board Members	Natālija Petrova – Chairman of the Board Eduards Krukovskis - Member of the Board (to 11.01.2013) Mihails Mamonovs - Member of the Board (to 11.01.2013) Aleksejs Kolpakovs - Member of the Board (from 11.01.2013)
Auditor`s name and address	Report not vise

Report of the management.

I. The key figures of the enterprise.

In 3 months 2013 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for 4638.8 thousand lats, which constitutes 148.6% compared to the of 2012.

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	3 months 2013	3 months 2012	(+, -)
Diesel locomotive repair, section	3 904.3	2 385.6	+1518.7
Wheel pair repair, pieces	85.0	130.8	-45.8
Electric machines repair,pieces	298.1	218.6	+79.5
Other production	351.4	386.5	-35.1
Total	**4 638.8**	**3 121.5**	**+1 517.3**

Table No.2

The structure of the distributed goods by the clients.

The client	3 months 2013		3 months 2012	
	sum	%	sum	%
Latvia	488.5	10.5	435.7	14.0
Lithuania	88.1	1.9	121.4	3.9
Estonia	242.2	5.2	779.1	25.0
Belarus	315.3	6.8	116.2	3.7
Uzbekistan	107.5	2.3	103.9	3.3
Russia	3 382.2	72.9	1 552.5	49.7
Poland	2.2	0.1	12.7	0.4
Other	12.8	0.3	0	0
Total	**4 638.8**	**100.0**	**3 121.5**	**100.0**

II. Financial figures.

The enterprise finished 3 months of the year 2013 year at a loss of 81.0 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 139.0 thousand lats of investments, including:

- ❖ Equipment putting into operation - 37.1 thousand Ls
- ❖ Repair of facilities, equipment repairs - 90.2 thousand Ls
- ❖ Furniture and equipment - 6.0 thousand Ls
- ❖ The computer program - 5.7 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 26 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of March 31, 2013 and the result of its operations and cash flows for of the 3 months 2013.

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

31.03.2013

31.03.2013. balance Sheet

0.702804

A S S E T S						
	31.03.2013.		31.03.2012.		01.01.2013.	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Embedding long-term Embedding non material	17 445	24 822	15 994	22 757	13 243	18 843
Property, plant and equipment Land, buildings and networks	5 022 665	7 146 608	5 045 263	7 178 763	5 051 080	7 187 039
Machinery and equipment	2 490 250	3 543 307	2 426 278	3 452 283	2 532 982	3 604 109
Other property, plant and equipment	48 395	68 860	81 852	116 465	53 547	76 191
Construction in progress	190 233	270 677	62 958	89 581	126 211	179 582
Total property, plant and equipment	7 751 543	11 029 452	7 616 351	10 837 092	7 763 820	11 046 921
Embedding long-term financial			480	683		
Total embedding long-term	7 768 988	11 054 274	7 632 825	10 860 532	7 777 063	11 065 764
Current assets						
Inventory	2 361 913	3 360 699	2 197 137	3 126 244	2 393.488	3 405 627
Debtors:						
Trade receivables	1 478 048	2 103 073	2 179 910	3 101 732	1 821 912	2 592 347
Other current assets	328 696	467 692	286 361	407 455	220 555	313 821
Accumulate income	3 175 509	4 518 343	3 454 225	4 914 919	3 710 259	5 279 223
Corp. income tax (overpay)			4 930	7 015		
Short term loans	930	1 323				
Cash and cash equivalents	898 966	1 279 113	229 533	326 596	28 925	41 157
Total current assets	8 244 062	11 730 243	8 352 096	11 883 961	8 175 139	11 632 175
Total assets	16 013 050	22 784 517	15 984 921	22 744 493	15 952 202	22 697 939

31.03.2013. balance Sheet

0.702804

LIABILITIES						
	31.03.2013.		31.03.2012.		01.01.2013.	
	LVL	EUR	LVL	EUR	LVL	EUR
Shareholder' equity Share capital	8 294 219	11 801 610	8 294 219	11 801 610	8 294 219	11 801 610
Previous year unappropriated result	-1 179 716	-1 678 585	-1 905 056	-2 710 650	-1 905 056	-2 710 650
Current years profit or loses	-80 981	-115 226	308 755	439 319	725 340	1 032 066
Total shareholders' eguity	7 033 522	10 007 799	6 697 918	9 530 279	7 114 503	10 123 026
Liabilities Long-term liabilities						
Long-term loan from credit institution	1 284 591	1 827 808	1 643 268	2 338 160	1 268 387	1 804 752
Other liability	387 926	551 969	83 903	119 383	471 829	671 353
Deffered tax liability	502 683	715 253	335 125	476 840	502 683	712 253
Long-term liabilities	2 175 200	3 095 030	2 062 296	2 934 383	2 242 899	3 191 358
Current liabilities						
Loan from credit institution	1 371 416	1 951 349	1 879 049	2 673 646	1 443 713	2 054 219
Other loans			322 080	458 278		
Trade payables	3 384 808	4 816 148	2 294 890	3 265 334	2 936 985	4 178 953
Accumulation	153 630	218 596	121 040	172 224	172 974	246 120
Corp. income tax (liability)	33 845	48 157			33 845	48 157
Incomes of the future periods			421 659	599 967		
Other liabilities	1 860 629	2 647 438	2 185 989	3 110 382	2 007 283	2 856 106
Total current liabilities	6 804 328	9 681 688	7 224 707	10 279 831	6 594 800	9 383 555
Total	8 979 528	12 776 718	9 287 003	13 214 214	8 837 699	12 574 913
Total liabilities	16 013 050	22 784 517	15 984 921	22 744 493	15 952 202	22 697 939

Profit or loss account

For 3 months 2013

0.702804

	3 months 2013		3 months 2012	
	LVL	**EUR**	**LVL**	**EUR**
Net sales	4 697 561	6 684 027	3 205 150	4 560 517
Cost of sales	-4 121 307	-5 864 092	-2 474 207	-3 520 479
Gross profit (loss)	576 254	819 935	730 943	1 040 038
Sales and distribution expenses	-156 490	-222 665	-33 733	-47 998
Administrative expense	-487 420	-693 536	-452 061	-643 225
Other operating income	26 574	37 811	19 445	27 687
Other expenses	-5 768	-8 207	-3 762	-5 353
Profit or loss before extraordinary post and taxes	-34 131	-48 564	47 923	68 170
Profit or losses report on period	-80 981	-115 226	308 755	439 319
Corporate income tax				
Total	-80 981	-115 226	308 755	439 319
Profit coefficient on stock	-0.010	-0.014	+0.037	+0.053

OVERWIEW OF EQUITY CAPITAL CHANGES

For 3 months 2013

0.702804

	3 months 2013		3 months 2012	
	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	-1 179 716	-1 678 585	-1 905 056	-2 710 650
Post-balance residue at the end of period	-1 260 697	-1 793 811	-1 596 301	-2 271 331
Share capital (total)				
Post-balance residue at the beginning of year	7 114 503	10 123 025	6 389 163	9 090 960
Post-balance residue at the end of period	7 033 522	10 077 799	6 697 918	9 530 279

Accounting policies

(1) Basis of preparation

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

Financial statements are prepared on the basis of historical cost accounting method, that is modified by the revaluation of the real estate property at their fair value and using this value as its costs on transition to IFRS.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Group.

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

IFRS 7 Financial Instruments: Disclosures – Transfe roffinancial assets -Amendment (effective for annual periods beginning on or after 1 July 2011). The amendment promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to trafers of financial assets and the effect of those risks on a entity's financial position, particularly those involving securitisation of financial assets. This amendment did not affect these financial statements because the Group do es not have such transactions.

b) Standards, amendments and interpretations, which are not yet effective and not yet adopted by the Company

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income - Amendment (effective for annual periods beginning on or after 1 July 2012).

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects only presentation of Other Comprehensive Income and will not impact the Company's financial position or performance. The Group is considering the impact of amendment on its financial statements.

IAS 12 Income Taxes – Recovery of Underlying Assets - Amendment (effective for annual periods beginning on or after 1 January 2013).

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured at fair value will be recognized on a sale basis. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Group has assessed that this amendment will not affect its financial position and performance, because the Group does not have investment properties' assets.

IAS 19 Employee Benefits - Revised (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is considering the impact of amendment on the its financial statements.

IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendment (effective for annual periods beginning on or after 1 January 2013).

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. This amendment will not have an impact to Group's financial statements.

IFRS 1 First-time Adoption of IFRS - Government Loans - Amendment (effective for annual periods beginning on or after 1 January 2013).

The amendment addresses how a first-time adopter would account for a government loan a below-market rate of interest when transition to IFRS. This amendment will not have an impact to Group's financial statements.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather describes how to measure fair value where fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The Group is considering the impact of the standard on the Group's financial statements.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted, but only with the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. The Group is considering the impact of the amendment on the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Group is considering the impact of the amendment on the Group's financial statements.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014, not yet adopted by the EU).

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 does not change the consolidation procedures, rather changes whether an entity is consolidated by revising the definition of control. The Group is considering the impact of the amendment on the Group's financial statements.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014).

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. As the Group does not have any investments in joint ventures and jointly controlled entities, there is no impact of this standard on Group's financial statements.

IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2014).

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is considering the impact of the amendment on the Group's financial statements.

IAS 27 Separate Financial Statements - Revised (effective for annual periods beginning on or after 1 January 2014).

As a result of the new IFRS 10 and IFRS 12, revised IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. As this is consolidated financial statements of the Group, there is no impact of revised standard to these financial statements.

IAS 28 Investments in Associates and Joint Ventures -Revised (effective for annual periods beginning on or after 1 January 2014).

As a result of the new IFRS 11 and IFRS 12, revised IAS 28 has been renamed as IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is considering the impact of the amendment on the Group's financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013).

This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The Group is not involved in mining activities and, therefore, the interpretations will not effect its financial statements.

Improvements to IFRS issued in 2011 (effective for annual periods beginning on or after 1 January 2013).

Amendments has been made to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. Improvements consist mostly of a mixture of insignificant changes and clarifications in the different areas. These amendments did not have any material effect on Group's financial statements.

FRS 10, IFRS 11 and IFRS 12 - Transition guidance- Amendment (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

These amendments provide additional transition relief to IFRS 10, 11 and 12, limiting the requirements to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirements to present comparative information for period before IFRS 12 is first applied. The Group is considering the impact of the amendment on the Group's financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurements (effective for annual periods beginning on or after 1 January 2015, 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 impact of the amendment on the Group's financial statements.

(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 till their disposal.

(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:

	31.03.2013.	31.03.2012.
1 USD	0.550	0.526
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0177	0.0179

(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 Group's chief operating decision maker being the Board of the Company.

(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.

Income 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 at recognition.

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.

The Group 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) exceed progress billings. Progress billings not yet paid by customers and retention are included within "Trade receivables".

The Group 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 included within "Other liabilities".

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) Intangible assets

Intangible assets mainly consist of licenses and patents. Intangible assets are stated at historical cost, less accumulated amortization. Depreciation is calculated from the moment as the assets are available for use. Intangible assets depreciation is calculated on a straight- line method to allocate the purchase price up to the estimated residual value of the useful life, using the following periods:

	Depreciation % per annum
Licenses and patents	20

In cases where an intangible asset's financial statement value is greater than its estimated recoverable amount, respective asset's value is reduced to its recoverable value. Recoverable value is the higher of fair value of intangible investment, less costs to sell or value in use.

(7) Property, plant and equipment (tangible assets) and intangible 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.

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 expense.

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 statement of comprehensive income for the relevant period.

(8) 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.

(9) 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.

(10) 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.

(11) 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 provisions are recognized in the statement of comprehensive income.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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 statement of comprehensive income 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 financisal statements in the period, in which the grants are received.

(19) 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.

(20) 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 period.

(21) Related parties

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

(22) Critical accounting estimates and judgements

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgements applying the accounting policies adopted by the Group.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities shown in the financial statements, and disclosures in the notes at the date of the balance sheet as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are impairment test of tangible assets, assumptions and estimates of the Management on calculation of stage of the completion of the repair services contract, tangible asset classification between components as well as recoverable receivables and inventories as well as disclosed in the relevant notes.

Impairment test

The Group uses IAS 36 Impairment of Assets guidance in verification of potential impairment losses. This procedures requires a considerable management decision. Taking into consideration that the estimation of potential sales value of the largest long-term assets of the Group - the real estate and equipment with the carrying value as at 31.12.2012. of LVL 7 763 820 (31.12.2011. - LVL 7 613 962) that is used in principal activity of the Group - is subjective, as well as the low level of liquidity in the real estate market, the Group carried out the calculation of recoverable value of assets by the value in use method. In estimation of the future cash flow the management of the Group evaluated, among other factors, useful life of asset, trends of economics and competitiveness, potential changes in technology and in activity of the Group, changes in the operational and financial cash flows of the Group.

Components of property, plant and equipment (PPE)

The Group accounts and depreciates PPE by it's material components as per IAS 16. Estimates of the Group about allocation of PPE to it's components and density of each part in total value of PPE are build on calculation which shows costs replacement of each component in total amount of costs replacement of each PPE.

Property, plant and equipment (PPE) useful life

The Group's management determines the useful life of PPE based on historical information, technical inspections, assessing the current state of the active and external evaluations. During the reporting year and previous year the Groups has not identified factors that indicate a need to change the useful life period of the Group's PPE. Total carrying amount of PEE at the end of the year is Ls 7 763 820 (31.12.2011. - Ls 7 613 962).

Stage of completion method for long-term contacts

The Group carries out an estimation of completion of the repair services at the balance sheet date, as stated in accounting policy in note (5). The accrued income for supplied repair and upgrading services at the year end are LVL 3 710 259 (31.12.2011. - LVL 2 446 126).

Recoverable receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflect effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. The total carrying amount of receivables at the end of the reporting period is LVL 1 821 912 (31.12.2011. – LVL 1 792 710).

Valuation of inventories

In valuation of inventories the Management relies on the knowledge, considering the historical experience, general information, probable assumptions and future occurrences. Determining impairment of inventories, realisation probability and net selling value of the inventories shall be considered. The total carrying amount of inventory at the end of the reporting period is LVL 2 393 488 (31.12.2011. - LVL 2 227 883).

1. Net sales

	3 months 2013	3 months 2012
According to operating activities		
Production	4 638 801	3 121 483
Other	58 760	83 667
Total	**4 697 561**	**3 205 150**
According to the location		
Income from export to Latvia	488 528	435 682
Income from export to Russia	3 382 207	1 552 499
Income from export to EU market	332 489	913 226
Income from export to Belarus	315 277	116 156
Income from export to Uzbekistan	107 503	103 920
Other	12 797	-
Total	**4 638 801**	**3 121 483**

2. Production costs

Raw, material and spare parts expenses	2 405 536	872 343
Utility expenses	468 860	443 090
Salary expenses	813 569	789 440
Social insurance	193 888	188 133
Depreciation of fixed assets	106 216	90 310
Other production costs	133 238	90 891
Total	**4 121 307**	**2 474 207**

3. Selling expenses

Transportation costs	28 731	14 627
Salary	24 287	15 419
Social insurance	5 806	3 687
Mediation services	97 666	-
Total	**156 490**	**33 733**

4. Administrative expenses

Salary expenses	298 131	266 980
Social insurance	71 137	63 630
Office expenses	69 294	54 402
Depreciation of fixed assets	23 588	22 604
Other administrative costs	25 270	44 445
Total	**487 420**	**452 061**

5. Other income

Income from fixed assets sale	-	2 811
Rental income	20 325	12 828
ERAF projects	2 523	-
Other income	3 726	3 806
Total	**26 574**	**19 445**

6. Other expenses

Expenses of collective agreement	3 928	1 584
Other expenses	1 840	2 178
Total	**5 768**	**3 762**

7. Fixed assets and intangible assets

	Non-material investments	*Land and buildings*	*Equipment and machinery*	*Other fixed assets and inventory*	*Fixed assets under construction*	***Total***
Cost / Valuation **01.01.2013.**	**26 515**	**6 304 891**	**7 358 845**	**729 556**	**126 211**	**14 546 018**
Additions	5 622	16 494	46 822		132 960	201 898
Disposals			-150		-68 938	-69 088
Reclassification						
Revaluation						
31.03.2013.	**32 137**	**6 321 385**	**7 405 517**	**729 556**	**190 233**	**14 678 828**
Depreciation 01.01.2013.	**13 272**	**1 253 811**	**4 825 863**	**676 009**		**6 768 955**
Charge	1 420	44 909	89 554	+5 152		141 035
Disposals			-150			-150
Reclassification						
Corrections for previous year's error						
31.03.2013.	**14 692**	**1 298 720**	**4 915 267**	**681 161**		**6 909 840**
Net book value 01.01.2013.	**13 243**	**5 051 080**	**2 532 982**	**53 547**	**126 211**	**7 777 063**
Net book value **31.03.2013.**	**17 445**	**5 022 665**	**2 490 250**	**48 395**	**190 233**	**7 768 988**

8. Inventory

Unfinished production	120 107	187 431
Materials	1 689 396	1 545 434
Finished goods and items for sale	552 410	464 272
Total	**2 361 913**	**2 197 137**

9. Trade receivables

Trade receivables	1 478 048	2 179 910
Total	**1 478 048**	**2 179 910**

10. Other current assets

VAT overpaid	40 874	37 039
Guarantee	29 166	16 316
Other debtors	26 777	13 992
Advance payment	226 995	212 628
Payment next periods	4 884	6 386
Total	**328 696**	**286 361**

11. Cash and bank

Cash in hand	366	593
Cash at bank	898 600	228 940
Total	**898 966**	**229 533**

12. Share capital

As at 31 March 2013 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	1 284 591	1 643 268
Short-term part	1 371 416	1 879 049
Total	**2 656 007**	**3 522 317**

14. Other liabilities

Accumulation for unused vacations	270 370	174 172
Advances from customers	1 086 126	1 235 882
Salary	247 506	240 143
Social insurance	126 475	264 419
Personnel income tax	60 330	164 307
Other taxes	3 951	2 384
Other	65 871	104 682
Total	**1 860 629**	**2 185 989**

15. Trade payables

Short-term part	3 384 808	2 294 890

16. Taxes and social insurance

	01.01. 2013.	*Calculated*	*(Paid)/ repaid*	*Transferred and corporate income tax (advances payment)*	*31.03.2013.*
VAT	10 675	-201 238	11 486	161 175	-40 874
Personnel income tax	81 190	193 461	154 045	-60 129	60 477
Social insurance	156 227	396 534	324 990	-101 046	126 725
Corporate income tax	33 845	-	2 190	/2 190	33 845
Real estate tax (land)	-	370	370	-	-
Real estate tax (buildings)	-	3	3	-	-
Natural resource tax	1 686	3 676	1 690	-	3 672
The state tax for company's business	287	868	876	-	279
Total	**283 910**	**393 674**	**495 650**	**/2 190**	**184 124**

Hereof:		
Liabilities/	283 910	224 998
(Overpaid)		40 874

17. Average number of employees

Average number of employees	1 030	1 055

Natālija Petrova

Chairman of the Board