JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 6 months 2013

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INFORMATION ON THE COMPANY

Name of the company	DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA
Legal status of the company	Joint-stock company
Number, place and date of registration	Enterprise Register Nr.40003030219 Riga, 3 October 1991 Commercial register Riga, 8 June 2004
Address	Marijas street 1, Daugavpils LV-5401 Latvia
Type of operations	Railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts
Names of the major shareholders	AS SKINEST RAIL – 47,97% Moisa 4, 13522 Tallinn, Estonia AS SPACECOM - 25,27% Kadaka tee 1, 10621 Tallinn, Estonia LLC LOKOMOTIIV IVESTEERINGUUD - 15,37% Tartu street 18-18, 10115 Tallinn, Estonia Other shareholders - 11,39%
Names and positions of the Counsel Members	Oleg Ossinovski - Chairman of the Council Aivar Keskula - Vice Chairman of the Council Sergei Jakovlev - Member of the Council Natalja Kumar – Member of the Council (to 29.04.2013) Tomas Petraitis - Member of the Council (to 29.04.2013) Lauri Reinhold - Member of the Council (from 29.04.2013) Mihhail Terentjev – Member of the Council (from 29.04.2013)
Names and positions of the Board Members	Natālija Petrova – Chairman of the Board Aleksejs Kolpakovs - Member of the Board Mihails Mamonovs - Member of the Board Eduards Krukovskis - Member of the Board
Auditor`s name and address	Report not vise

Report of the management.

I. The key figures of the enterprise.

In 6 months 2013 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for 9590.1 thousand lats, which constitutes 112.6% 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	6 months 2013	6 months 2012	(+, -)
Diesel locomotive repair, section	8347.9	6 900.3	+1447.6
Wheel pair repair, pieces	118.4	233.0	-114.6
Electric machines repair,pieces	403.3	344.5	+58.8
Other production	720.5	1040.0	-319.5
Total	**9590.1**	**8517.8**	**+1072.3**

Table No.2

The structure of the distributed goods by the clients.

The client	6 months 2013		6 months 2012	
	sum	%	sum	%
Latvia	813.8	8.5	908.5	10.7
Lithuania	211.3	2.2	202.9	2.4
Estonia	2528.7	26.4	1350.5	15.8
Belarus	449.0	4.7	246.8	2.9
Uzbekistan	107.5	1.1	417.6	4.9
Russia	5455.2	56.9	5368.0	63.0
Poland	11.7	0.1	23.5	0.3
Other	12.9	0.1	0	0
Total	**9590.1**	**100.0**	**8517.8**	**100.0**

II. Financial figures.

The enterprise finished 6 months of the year 2013 year with balance sheet profit of 1.3 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 280.8 thousand lats of investments, including:

- Equipment putting into operation - 156.1 thousand Ls
- Repair of facilities, equipment repairs - 112.0 thousand Ls
- Furniture and equipment - 6.6 thousand Ls
- The computer program - 6.1 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 June 30, 2013 and the result of its operations and cash flows for of the 6 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

30.06.2013

30.06.2013. balance Sheet

0.702804

A S S E T S						
	30.06.2013.		30.06.2012.		01.01.2013.	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Embedding long-term: Embedding non material	15 838	22 535	15 747	22 406	13 243	18 843
Property, plant and eguipment Land, buildings and networks	5 009 635	7 128 068	5 002 531	7 117 960	5 051 080	7 187 039
Machinery and egyipment	2 465 270	3 507 763	2 399 390	3 414 024	2 532 982	3 604 109
Other property, plant and egyipment	48 764	69 385	72 062	102 535	53 547	76 191
Construction in progress	232 080	330 220	108 644	154 586	126 211	179 582
Total property, plant and egyipment	7 755 749	11 035 436	7 582 627	10 789 105	7 763 820	11 046 921
Embedding long-term financial			480	683		
Total embedding long-term	7 771 587	11 057 971	7 598 854	10 812 194	7 777 063	11 065 764
Current assets: Inventory	2 758 958	3 925 644	2 470 440	3 515 119	2 393.488	3 405 627
Debtors: Trade receivables	1 162 554	1 654 165	1 590 878	2 263 615	1 821 912	2 592 347
Other current assets	735 879	1 047 061	421 362	599 544	220 555	313 821
Accumulate income	2 237 220	3 183 277	4 229 197	6 017 605	3 710 259	5 279 223
Corp. income tax (overpay)						
Short term loans						
Cash and cash eguivalents	369 455	525 687	435 676	619 911	28 925	41 157
Total current assets	7 264 066	10 335 834	9 147 553	13 015 794	8 175 139	11 632 175
Total assets	15 035 653	21 393 805	16 746 407	23 827 988	15 952 202	22 697 939

30.06.2013. balance Sheet

0.702804

LIABILITIES						
	30.06.2013.		30.06.2012.		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	1 337	1 902	446 924	635 915	725 340	1 032 066
Total shareholders' eguity	7 115 840	10 124 927	6 836 087	9 726 875	7 114 503	10 123 026
Liabilities Long-term liabilities						
Long-term loan from credit institution	1 276 489	1 816 280	1 758 503	2 502 124	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	715 253
Long-term liabilities	2 167 098	3 083 502	2 177 531	3 098 347	2 242 899	3 191 358
Current liabilities						
Loan from credit institution	1 257 984	1 789 950	1 046 735	1 489 370	1 443 713	2 054 219
Trade payables	1 920 945	2 733 258	3 066 354	4 363 029	2 936 985	4 178 953
Accumulation	73 176	104 120	107 653	153 176	172 974	246 120
Corp. income tax (liability)					33 845	48 157
Incomes of the future periods			421 659	599 967		
Other liabilities	2 500 610	3 558 048	3 090 388	4 397 224	2 007 283	2 856 106
Total current liabilities	5 752 715	8 185 376	7 732 789	11 002 766	6 594 800	9 383 555
Total	7 919 813	11 268 878	9 910 320	14 101 113	8 837 699	12 574 913
Total liabilities	15 035 653	21 393 805	16 746 407	23 827 988	15 952 202	22 697 939

Profit or loss account

For 6 months 2013

0.702804

	6 months 2013		6 months 2012	
	LVL	EUR	LVL	EUR
Net sales	9 673 244	13 763 786	8 645 820	12 301 894
Cost of sales	-8 397 113	-11 948 016	-7 172 563	-10 205 638
Gross profit (loss)	1 276 131	1 815 770	1 473 257	2 096 256
Sales and distribution expenses	-199 440	-283 778	-82 357	-117 183
Administrative expense	-1 039 938	-1 479 698	-947 358	-1 347 969
Other operating income	51 695	73 555	36 106	51 374
Other expenses	-20 487	-29 150	-6 648	-9 459
Profit or loss before extraordinary post and taxes	-66 624	-94 798	-26 076	-37 104
Profit or losses report on period	1 337	1 902	446 924	635 915
Profit coefficient on stock	+0.0002	+0.0002	+0.0539	+0.0767

OVERWIEW OF EQUITY CAPITAL CHANGES

For 6 months 2013

0.702804

	6 months 2013		6 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	-1 678 584	-1 905 056	-2 710 650
Post-balance residue at the end of period	-1 178 379	-1 676 683	-1 458 132	-2 074 735
Share capital (total)				
Post-balance residue at the beginning of year	7 114 503	10 123 026	6 389 163	9 090 960
Post-balance residue at the end of period	7 115 840	10 124 927	6 836 087	9 726 875

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 2012). 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 2013).

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 July 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 2014).

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:

	30.06.2013.	30.06.2012.
1 USD	0.539	0.562
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0164	0.0171

(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.

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 period is Ls 7755749 (31.12.2012. - Ls 7763820).

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 end of the period is LVL 2237220 (31.12.2012. - LVL 3710259).

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 1162554 (31.12.2012. – LVL 1821912).

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 2758958 (31.12.2012. - LVL 2393488).

1. Net sales

	6 months 2013	6 months 2012
According to operating activities		
Production	9 590 121	8 517 839
Other	83 123	127 981
Total	**9 673 244**	**8 645 820**
According to the location		
Income from export to Latvia	813 815	908 544
Income from export to Russia	5 455 171	5 368 045
Income from export to EU market	2 763 783	1 576 912
Income from export to Belarus	449 003	246 773
Income from export to Uzbekistan	107 503	417 565
Other	846	-
Total	**9 590 121**	**8 517 839**

2. Production costs

Goods delivery expenses	71 079	68 463
Raw, material and spare parts expenses	5 055 054	4 027 364
Utility expenses	737 992	709 628
Salary expenses	1 633 492	1 577 398
Social insurance	389 419	375 745
Depreciation of fixed assets	209 297	182 022
Other production costs	300 780	231 943
Total	**8 397 113**	**7 172 563**

3. Selling expenses

Transportation costs	35 168	37 634
Salary	45 317	31 239
Social insurance	10 833	7 479
Other	10 456	6 005
Mediation services	97 666	-
Total	**199 440**	**82 357**

4. Administrative expenses

Salary expenses	604 192	543 183
Social insurance	144 147	129 507
Office expenses	102 775	98 107
Depreciation of fixed assets	47 396	44 311
Other administrative costs	141 428	132 250
Total	**1 039 938**	**947 358**

5. Other income

Income from fixed assets sale	-	2 811
Rental income	38 415	25 053
The received ERDF funding	3 009	-
Income from other sales	7 395	5 250
Other income	2 876	2 992
Total	**51 695**	**36 106**

6. Other expenses

Expenses of collective agreement	18 600	4 452
Other expenses	1 887	2 196
Total	**20 487**	**6 648**

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	48 249	108 138	5 611	274 240	441 860
Disposals			-13 248	-155 643	-168 371	-337 262
Reclassification						
Revaluation						
30.06.2013.	**32 137**	**6 353 140**	**7 453 735**	**579 524**	**232 080**	**14 650 616**
Depreciation 01.01.2013.	**13 272**	**1 253 811**	**4 825 863**	**676 009**		**6 768 955**
Charge	3 027	89 694	175 850	10 394		278 965
Disposals			-13 248	-155 643		-168 891
Reclassification						
Corrections for previous year's error						
30.06.2013.	**16 299**	**1 343 505**	**4 988 465**	**530 760**		**6 879 029**
Net book value 01.01.2013.	**13 243**	**5 051 080**	**2 532 982**	**53 547**	**126 211**	**7 777 063**
Net book value **30.06.2013.**	**15 838**	**5 009 635**	**2 465 270**	**48 764**	**232 080**	**7 771 587**

8. Inventory

Unfinished production	124 555	172 251
Materials	2 025 038	1 754 220
Finished goods and items for sale	609 305	543 969
Total	**2 758 958**	**2 470 440**

9. Trade receivables

Trade receivables	1 162 554	1 590 878
Total	**1 162 554**	**1 590 878**

10. Other current assets

VAT overpaid	59 144	47 314
Guarantee	43 093	20 674
Other debtors	56 391	18 679
Advance payment	552 802	316 310
Payment next periods	24 449	18 385
Total	**735 879**	**421 362**

11. Cash and bank

Cash in hand	662	621
Cash at bank	368 793	435 055
Total	**369 455**	**435 676**

12. Share capital

As at 30 June 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	1 276 489	1 758 503
Short-term part	1 257 984	1 046 735
Total	**2 534 473**	**2 805 238**

14. Other liabilities

Accumulation for unused vacations	270 369	174 172
Advances from customers	1 601 323	2 260 040
Salary	256 135	259 622
Social insurance	189 694	196 027
Personnel income tax	122 664	160 664
Other taxes	1 113	1 260
Other	59 312	38 603
Total	**2 500 610**	**3 090 388**

15. Trade payables

Short-term part	1 920 945	3 066 354

16. Taxes and social insurance

	01.01. 2013.	*Calculated*	*(Paid)/ repaid*	*Transferred and corporate income tax (advances payment)*	*30.06.2013.*
VAT	10 675	-390 143	11 540/798	+331 066	-59 144
Personnel income tax	81 190	391 090	289 488	-60 128	122 664
Social insurance	156 227	798 030	493 389	-271 174	189 694
Corporate income tax	33 845	152	49 607	+236/15 374	-
Real estate tax (land)	-	2 695	2 695	-	-
Real estate tax (buildings)	-	24 343	24 343	-	-
Natural resource tax	1 686	4 512	5 364	-	834
The state tax for company's business	287	1 715	1 723	-	279
Total	**283 910**	**832 394**	**878 149/798**	**/15 374**	**254 327**

Hereof:

Liabilities/	283 910	313 471
(Overpaid)		59 144

17. Average number of employees

Average number of employees	1 118	1 038

Natālija Petrova
Chairman of the Board

AS "Daugavpils Lokomotīvju Remonta Rūpnīca" Unified registration number 40003030219

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Cash flow statement

I. Cash flow from operating activities for 6 months 2013

Activities	30.06.2013. LVL		30.06.2013. EUR		30.06.2012. LVL		30.06.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxes	1 337		1 902		446 924		635 916	
Adjustments: a) depreciation	278 965		396 931		273 510		389 170	
b) provision						15 536	57 645	22 106
c) profit or loss from fluctuacions of currency exchange	8 333		11 857		40 513			
Provision decrease								
Income from sale of fixed assets								
Interest exspenses						511		727
Adjustments: a) Changes in accounts receivables	1 617 073		2 300 888			1 903 666		2 708 673
b) Changes in reserves		365 470		520 016		242 557		345 127
c) Changes in accounts payables		706 414		1 005 137	2 684 256		3 819 352	
Gross cash flow operating activities	1 905 708	1 071 884	2 711 578	1 525 153	3 445 203	2 162 270	4 902 083	3 076 633
Corporate income tax paid		33 845		48 157				
Cash flow before extraordinary items	1 905 708	1 105 729	2 711 578	1 573 310	3 445 203	2 162 270	4 902 083	3 076 633
Net cash flow from operating activities	799 979		1 138 268		1 282 933		1 825 450	
II. Cash flows from investing activities								
Activities	30.06.2013. LVL		30.06.2013. EUR		30.06.2012. LVL		30.06.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Acguisition of fixed assets and intangible assets		273 489		389 140		242 961		345 703
Income from sale of fixed assets and intangible assets					2 811		4 000	
Parficipation in other companies								
Net cash flow from investing activities						240 150		341 703
III. Cash flows from financing activities								
Activities	30.06.2013. LVL		30.06.2013. EUR		30.06.2012. LVL		30.06.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	38 277		54 463					
Borrowing repaid		224 237		319 061		1 192 268		1 696 445
Net cash flows from financing activities		185 960		264 598		1 192 268		1 696 445
IV. Total cash flow								
Activities	30.06.2013. LVL		30.06.2013. EUR		30.06.2012. LVL		30.06.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities	799 979		1 138 268		1 282 933		1 825 450	
Cash flows from investing activities		273 489		389 140		240 150		341 703
Cash flows from financing activities		185 960		264 598		1 192 268		1 696 445
Net cash flow of the current period		340 530		484 530	149 485		212 698	
Cash and cash eguivalents at the beginning of the reporting period		28 925		41 157	585 161		832 609	
Cash and cash eguivalents at the end of the reporting period		369 455		525 687	435 676		619 911	

Chairman of the Board N.Petrova Date 30.06.2013