JSC “DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA”

CONSOLIDATE REPORT

For 9 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 9 months 2013 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for 14409.0 thousand lats, which constitutes 98.4% 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	9 months 2013	9 months 2012	(+, -)
Diesel locomotive repair, section	12350.8	11537.2	+813.6
Wheel pair repair, pieces	272.3	362.0	-89.7
Electric machines repair,pieces	578.9	580.5	-1.6
Diesel repair	-	282.0	-282.0
Other production	1207.0	1880.5	-673.5
Total	**14409.0**	**14642.2**	**-233.2**

Table No.2

The structure of the distributed goods by the clients.

The client	9 months 2013		9 months 2012	
	sum	%	sum	%
Latvia	1025.2	7.1	1312.7	9.0
Lithuania	370.0	2.6	328.1	2.2
Estonia	2715.8	18.8	2154.8	14.7
Belarus	779.1	5.4	408.3	2.8
Uzbekistan	212.0	1.5	924.9	6.3
Russia	9154.8	63.5	9 477.5	64.7
Poland	40.4	0.3	35.2	0.3
Other	111.7	0.8	0.7	0.0
Total	**14409.0**	**100.0**	**14642.2**	**100.0**

II. Financial figures.

The enterprise finished 9 months of the year 2013 year with balance sheet profit of 12.2 thousand Ls.

The company's turnover and increase the expense of borrowing invested 551.7 thousand lats of investments, including:

1. Production facilities - 196.3 thousand Ls
2. Repair of facilities, equipment repairs - 311.2 thousand Ls
3. Intangible assets - 20.1 thousand Ls
4. Furniture and equipment - 24.1 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 25 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of September 30, 2013 and the result of its operations and cash flows for of the 9 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

30.09.2013

30.09.2013. balance Sheet

0.702804

A S S E T S						
	30.09.2013.		30.09.2012.		01.01.2013.	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Embedding long-term: Total embedding non material	14 230	20 247	14 569	20 730	13 243	18 843
Property, plant and eguipment Land, buildings and networks	5 110 403	7 271 448	4 984 133	7 091 782	5 051 080	7 187 039
Machinery and eguipment	2 489 472	3 542 200	2 434 281	3 463 670	2 532 982	3 604 109
Other property, plant and eguipment	47 024	66 909	63 334	90 116	53 547	76 191
Advance payments for fixed assets	950 785	1 352 845				
Construction in progress	254 540	362 178	135 601	192 943	126 211	179 582
Total property, plant and eguipment	8 852 224	12 595 580	7 617 349	10 838 511	7 763 820	11 046 921
Embedding long-term financial			480	683		
Total embedding long-term	8 866 454	12 615 827	7 632 398	10 859 924	7 777 063	11 065 764
Current assets: Inventory	3 015 009	4 289 971	2 386 546	3 395 749	2 393.488	3 405 627
Debtors: Trade receivables	2 055 060	2 924 087	2 301 535	3 274 789	1 821 912	2 592 347
Other current assets	587 715	836 243	357 420	508 563	220 555	313 821
Accumulate income	2 561 825	3 645 149	3 486 441	4 960 759	3 710 259	5 279 223
Cash and cash eguivalents	485 430	690 705	442 170	629 151	28 925	41 157
Total current assets	8 705 039	12 386 155	8 974 112	12 769 011	8 175 139	11 632 175
Total assets	17 571 493	25 001 982	16 606 510	23 628 935	15 952 202	22 697 939

30.09.2013. balance Sheet

0.702804

LIABILITIES						
	30.09.2013.		30.09.2012.		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	-1 678 584	-1 905 056	-2 710 650	-1 905 056	-2 710 650
Current years profit or loses	12 202	17 362	637 243	906 715	725 340	1 032 066
Total shareholders' eguity	7 126 705	10 140 388	7 026 406	9 997 675	7 114 503	10 123 026
Liabilities Long-term liabilities						
Long-term loan from credit institution	2 010 127	2 860 153	1 736 580	2 470 931	1 268 387	1 804 752
Other liability	471 829	671 352	83 903	119 383	471 829	671 353
Deffered tax liability	502 683	715 253	335 125	476 840	502 683	715 253
Total long-term liabilities	2 984 639	4 246 758	2 155 608	3 067 154	2 242 899	3 191 358
Current liabilities						
Loan from credit institution	992 710	1 412 499	972 025	1 383 067	1 443 713	2 054 219
Other loan	175 701	250 000				
Trade payables	2 996 997	4 264 343	2 990 294	4 254 805	2 936 985	4 178 953
Accumulation	62 773	89 318	97 396	138 582	172 974	246 120
Corp. income tax (liability)					33 845	48 157
Incomes of the future periods			421 659	599 967		
Other liabilities	3 231 968	4 598 676	2 943 122	4 187 685	2 007 283	2 856 106
Total current liabilities	7 460 149	10 614 836	7 424 496	10 564 106	6 594 800	9 383 555
Total	10 444 788	14 861 594	9 580 104	13 631 260	8 837 699	12 574 913
Total liabilities	17 571 493	25 001 982	16 606 510	23 628 935	15 952 202	22 697 939

Profit or loss account

For 9 months 2013

0.702804

	9 months 2013		9 months 2012	
	LVL	**EUR**	**LVL**	**EUR**
Net sales	14 544 287	20 694 656	14 834 429	21 107 491
Cost of sales	-12 607 326	-17 938 609	-12 563 056	-17 875 618
Gross profit (loss)	1 936 961	2 756 047	2 271 373	3 231 873
Sales and distribution expenses	-255 813	-363 989	-197 327	-280 771
Administrative expense	-1 653 648	-2 352 929	-1 454 290	-2 069 268
Other operating income	79 962	113 776	65 853	93 700
Other expenses	-26 948	-38 344	-12 731	-18 115
Profit or loss before extraordinary post and taxes	-68 312	-97 199	-35 635	-50 704
Profit or losses report on period	12 202	17 362	637 243	906 715
Profit coefficient on stock	+0.0015	+0.0021	+0.077	+0.1093

OVERWIEW OF EQUITY CAPITAL CHANGES

For 9 months 2013

0.702804

	9 months 2013		**9 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	-1 167 514	-1 661 222	-1 267 813	-1 803 935
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	7 126 705	10 140 388	7 026 406	9 997 675

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:

	30.09.2013.	30.09.2012.
1 USD	0.521	0.562
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0161	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 LVL 8852224 (31.12.2012. - LVL 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 2561825 (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 2055060 (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 3015009 (31.12.2012. - LVL 2393488).

1. Net sales

	6 months 2013	6 months 2012
According to operating activities		
Production	14 409 038	14 642 161
Other	135 249	192 268
Total	**14 544 287**	**14 834 429**
According to the location		
Income from export to Latvia	1 025 159	1 312 687
Income from export to Russia	9 154 846	9 477 464
Income from export to EU market	3 140 131	2 518 103
Income from export to Belarus	779 075	408 323
Income from export to Uzbekistan	212 021	924 864
Other	97 806	720
Total	**14 409 038**	**14 642 161**

2. Production costs

Goods delivery expenses	123 539	110 837
Raw, material and spare parts expenses	7 496 086	7 603 568
Utility expenses	1 002 153	998 510
Salary expenses	2 584 576	2 522 390
Social insurance	616 349	601 174
Depreciation of fixed assets	306 015	272 681
Other production costs	478 608	453 896
Total	**12 607 326**	**12 563 056**

3. Selling expenses

Transportation costs	55 667	71 558
Salary	67 943	53 190
Social insurance	16 253	12 728
Other	18 284	8 995
Mediation services	97 666	50 856
Total	**255 813**	**197 327**

4. Administrative expenses

Salary expenses	1 002 855	884 032
Social insurance	239 273	210 855
Office expenses	143 554	124 337
Depreciation of fixed assets	72 081	66 589
Other administrative costs	195 885	168 477
Total	**1 653 648**	**1 454 290**

5. Other income

Income from fixed assets sale		2 811
Rental income	61 043	38 664
The received ERDF funding	3 009	
Income from other sales	10 662	
Other income	5 248	24 378
Total	**79 962**	**65 853**

6. Other expenses

Expenses of collective agreement	25 047	10 491
Other expenses	1 901	2 240
Total	**26 948**	**12 731**

7. Fixed assets and intangible assets

	Non-material investments	*Land and buildings*	*Equipment and machinery*	*Other fixed assets and inventory*	*Fixed assets under construction*	*Advance payments*	*Total*
Cost / Valuation **01.01.2013.**	**26 515**	**6 304 891**	**7 358 845**	**729 556**	**126 211**		**14 546 018**
Additions	5 622	192 934	212 890	8 912	551 722	950 785	1 922 865
Disposals			-22 224	-157 535	-423 393		-603 152
Reclassification							
Revaluation							
30.09.2013.	**32 137**	**6 497 825**	**7 549 511**	**580 933**	**254 540**		**15 865 731**
Depreciation 01.01.2013.	**13 272**	**1 253 811**	**4 825 863**	**676 009**			**6 768 955**
Charge	4 635	133 611	256 400	15 435			410 081
Disposals			-22 224	-157 535			-179 759
Reclassification							
Corrections for previous year's error							
30.09.2013.	**17 907**	**1 387 422**	**5 060 039**	**533 909**			**6 999 277**
Net book value 01.01.2013.	**13 243**	**5 051 080**	**2 532 982**	**53 547**	**126 211**		**7 777 063**
Net book value **30.09.2013.**	**14 230**	**5 110 403**	**2 489 472**	**47 024**	**254 540**		**8 866 454**

8. Inventory

Unfinished production	172 658	183 520
Materials	2 253 604	1 845 332
Finished goods and items for sale	588 632	357 610
Shop	115	84
Total	**3 015 009**	**2 386 546**

9. Trade receivables

Trade receivables	2 055 060	2 301 535
Total	**2 055 060**	**2 301 535**

10. Other current assets

VAT overpaid	67 980	54 466
Guarantee	41 176	12 233
Other debtors	81 398	18 921
Advance payment	373 631	254 462
Payment next periods	23 530	17 338
Total	**587 715**	**357 420**

11. Cash and bank

Cash in hand	701	968
Cash at bank	484 729	441 202
Total	**485 430**	**442 170**

12. Share capital

As at 30 September 2013 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of LVL1 each.

13. Loans

Loans from credit institutions long-term part	2 010 127	1 736 580
Loans from credit institutions short-term part	992 710	972 025
Other loans	175 701	
Total	**3 178 538**	**2 708 605**

14. Other liabilities

Accumulation for unused vacations	270 369	174 173
Advances from customers	2 205 440	2 093 011
Salary	294 627	286 216
Social insurance	108 410	185 497
Personnel income tax	165 251	170 756
Other taxes	1 333	1 622
Other	186 538	31 847
Total	**3 231 968**	**2 943 122**

15. Trade payables

Short-term part	2 996 997	2 990 294

16. Taxes and social insurance

	01.01. 2013.	*Calculated*	*(Paid)/ repaid*	*Transferred and corporate income tax (advances payment)*	*30.09.2013.*
VAT	10 675	-768 260	-11 540/+798	700 347	-67 980
Personnel income tax	81 190	634 790	-490 105	-60 624	165 251
Social insurance	156 227	1 277 475	-684 090	-641 202	108 410
Corporate income tax	33 845	152	-77 109	1 479/41 633	
Real estate tax (land)	-	3 837	-3 837	-	-
Real estate tax (buildings)	-	36 541	-36 541	-	-
Natural resource tax	1 686	5 573	-6 201	-	1 058
The state tax for company's business	287	2 563	-2 575	-	275
Total	**283 910**	**1 192 671**	**-1311998/+798**	**41633**	**207 014**

Hereof:

Liabilities/	283 910	274 994
(Overpaid)		67 980

17. Average number of employees

Average number of employees	1 096	1 060

Natālija Petrova

Chairman of the Board

AS “Daugavpils Lokomotīvju Remonta Rūpnīca” Unified registration number 40003030219

Address: Daugavpils, Marijas iela 1 rate 0.702804

Cash flow statement

Activities	30.09.2013. LVL		30.09.2013. EUR		30.09.2012. LVL		30.09.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
I. Cash flow from operating activities for 9 months 2013								
Profit before taxes	12 202		17 362		637 243		906 715	
Adjustments: a) depreciation	410 081		583 493		410 066		583 471	
b) provision		110 201		156 802		25 793		36 700
c) profit or loss from fluctuacions of currency exchange		9 995		14 222	17 459		24 842	
Provision decrease								
Income from sale of fixed assets								
Interest exspenses						511		727
Adjustments: a) Changes in accounts receivables	548 126		779 913			1 807 625		2 572 019
b) Changes in reserves		621 521		884 345		158 663		225 757
c) Changes in accounts payables	1 284 697		1 827 959		2 460 930		3 501 588	
Gross cash flow operating activities	2 255 106	741 717	3 208 727	1 055 369	3 525 698	1 992 592	5 016 616	2 835 203
Corporate income tax paid		33 845		48 157				
Cash flow before extraordinary items	2 255 106	775 562	3 208 727	1 103 526	3 525 698	1 992 592	5 016 616	2 835 203
Net cash flow from operating activities	1 479 544		2 105 201		1 533 106		2 181 413	
II. Cash flows from investing activities								
Activities	30.09.2013. LVL		30.09.2013. EUR		30.09.2012. LVL		30.09.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Acguisition of fixed assets and intangible assets		1 499 472		2 133 556		413 061		587 733
Income from sale of fixed assets and intangible assets					2 811		4 000	
Parficipation in other companies								
Net cash flow from investing activities		1 499 472		2 133 556		410 250		583 733
III. Cash flows from financing activities								
Activities	30.09.2013. LVL		30.09.2013. EUR		30.09.2012. LVL		30.09.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	927 569		1 319 812					
Borrowing repaid		451 136		641 909		1 265 847		1 801 138
Net cash flows from financing activities	476 433		677 903			1 265 847		1 801 138
IV. Total cash flow								
Activities	30.09.2013. LVL		30.09.2013. EUR		30.09.2012. LVL		30.09.2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities	1 479 544		2 105 201		1 533 106		2 181 413	
Cash flows from investing activities		1 499 472		2 133 556		410 250		583 733
Cash flows from financing activities	476 433		677 903			1 265 847		1 801 138
Net cash flow of the current period	456 505		649 548			142 991		203 458
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	485 430		690 705			442 170		629 151

Chairman of the Board N.Petrova Date 30.09.2013