



JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATED REPORT

For 2013

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COMPANY INFORMATION

<i>Name of the company</i>	DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA
<i>Legal status of the company</i>	Joint-stock company
<i>Number, place and date of registration</i>	Enterprise Register Nr.40003030219 Riga, 3 October 1991 Commercial register Riga, 8 June 2004
<i>Address</i>	Marijas street 1, Daugavpils LV-5401 Latvia
<i>Type of operations</i>	Railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts
<i>Names of the major shareholders</i>	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%
<i>Names and positions of the Counsel Members</i>	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)
<i>Names and positions of the Board Members</i>	Natālija Petrova – Chairman of the Board Aleksejs Kolpakovs - Member of the Board Mihails Mamonovs - Member of the Board Eduards Krukovskis - Member of the Board
<i>Auditor`s name and address</i>	Unaudited report

Report of the management.

I. The key figures of the enterprise.

In 2013 year joint-stock company „Daugavpils Lokomotīvu Remonta Rūpnīca” has distributed goods for 19038.1 thousand lats, which constitutes 88.6% 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	2013	2012	(+, -)
Diesel locomotive repair, section	15 565.9	17 537.4	-1 971.5
Wheel pair repair, pieces	483.6	443.5	40.1
Electric machines repair,pieces	1 122.8	978.7	144.1
Diesel repair	104.1	282.0	-177.9
Spare parts	1 225.8	1 775.2	549.4
Other production	535.9	481.3	54.6
Total	19 038.1	21 498.1	-2 460.0

Table No.2

The structure of the distributed goods by the clients.

The client	2013		2012	
	sum	%	sum	%
Latvia	1 556.5	8.1	1 838.1	8.6
Lithuania	507.7	2.7	400.7	1.8
Estonia	3 936.0	20.7	2 532.1	11.8
Belarus	1 085.1	5.7	669.0	3.1
Uzbekistan	314.5	1.7	924.9	4.3
Russia	11 376.2	59.7	14 889.3	69.3
Poland	48.7	0.2	63.0	0.3
Germany	9.9	0.1	0.7	0.0
Hungary	10.2	0.1	0.0	0.0
Other	193.3	1.0	180.3	0.8
Total	19 038.1	100.0	21 498.1	100.0

II. Financial figures.

The enterprise finished year 2013 year with balance sheet profit of 234.7 thousand Ls.

On the account of turnover and increased borrowed funds the company made total investments of 1968.1 thousand lats, including:

- | | |
|--|-----------------------|
| 1. Production facilities | - 1 397.2 thousand Ls |
| 2. Repair of facilities, equipment repairs | - 516.8 thousand Ls |
| 3. Intangible assets | - 20.1 thousand Ls |
| 4. Furniture and equipment | - 34.0 thousand Ls |

Chairman of the Board

Natālija Petrova

Statement of Directors' 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 December 31, 2013 and the result of its operations and cash flows for of the 2013.

The financial statements are prepared in accordance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Board of Directors in the preparation of the financial statements.

The Board of Directors of JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
Chairman of the Board

31.12.2013

31.12.2013. balance Sheet

0.702804

	A S S E T S			
	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
Fixed assets:				
Total intangible assets	12 623	17 961	13 243	18 843
Property, plant and equipment				
Land, buildings and networks	5 158 728	7 340 209	5 051 080	7 187 039
Machinery and equipment	2 703 818	3 847 186	2 532 982	3 604 109
Other property, plant and equipment	57 887	82 366	53 547	76 191
Advance payments for fixed assets	972 948	1 384 380		
Construction in progress	249 371	354 823	126 211	179 582
Total property, plant and equipment	9 142 752	13 008 964	7 763 820	11 046 921
Total fixed assets	9 155 375	13 026 925	7 777 063	11 065 764
Current assets:				
Inventory	3 067 030	4 363 990	2 393 488	3 405 627
Debtors:				
Trade receivables	1 166 641	1 659 980	1 821 912	2 592 347
Other current assets	492 709	701 062	220 555	313 821
Accumulate income	2 698 998	3 840 328	3 710 259	5 279 223
Cash and cash equivalents	152 425	216 881	28 925	41 157
Total current assets	7 577 803	10 782 241	8 175 139	11 632 175
Total assets	16 733 177	23 809 166	15 952 202	22 697 939

31.12.2013. balance Sheet

0.702804

	LIABILITIES			
	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
Shareholders' equity				
Share capital	8 294 219	11 801 610	8 294 219	11 801 610
Previous year retained earnings	-1 179 716	-1 678 585	-1 905 056	-2 710 650
Current years profit or loses	234 705	333 956	725 340	1 032 066
Total shareholders' equity	7 349 208	10 456 981	7 114 503	10 123 026
Liabilities				
Long-term liabilities				
Long-term loan from credit institution	1 768 186	2 515 902	1 268 387	1 804 752
Other liability	454 963	647 354	471 829	671 352
Deffered tax liability	502 683	715 253	502 683	715 253
Total long-term liabilities	2 725 832	3 878 509	2 242 899	3 191 357
Current liabilities				
Loan from credit institution	1 474 379	2 097 852	1 443 713	2 054 219
Other loan	175 701	250 000		
Trade payables	2 300 846	3 273 810	2 936 985	4 178 953
Accumulation	55 093	78 390	172 974	246 120
Corp. income tax (liability)			33 845	48 157
Other liabilities	2 652 118	3 773 624	2 007 283	2 856 106
Total current liabilities	6 658 137	9 473 676	6 594 800	9 383 555
Total	9 383 969	13 352 185	8 837 699	12 574 913
Total liabilities	16 733 177	23 809 166	15 952 202	22 697 939

Profit or loss account

For 2013

0.702804

	2013		2012	
	LVL	EUR	LVL	EUR
Net sales	19 239 917	27 375 936	21 979 431	31 273 913
Cost of sales	-16 454 609	-23 412 799	-18 620 412	-26 494 459
Gross profit (loss)	2 785 308	3 963 137	3 359 019	4 779 454
Sales and distribution expenses	-333 565	-474 620	-441 391	-628 042
Administrative expense	-2 219 128	-3 157 535	-2 008 336	-2 857 605
Other operating income	149 151	212 223	104 704	148 980
Other expenses	-34 019	-48 405	-19 034	-27 083
Financial income and expenses (net)	-71 218	-101 334	-59 563	-84 751
Profit or losses before income taxes	276 529	393 466	935 399	1 330 953
Corporate income tax			-210 059	-298 887
Other taxes	-41 824	-59 510		
Profit or loss after tax	234 705	333 956	725 340	1 032 066
Profit per share	+0.03	+0.04	+0.09	+0.12

OVERVIEW OF EQUITY CAPITAL CHANGES

For 2013

0.702804

	2013		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	-945 011	-1 344 629	-1 104 739	-1 571 902
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	7 349 208	10 456 981	7 114 503	10 123 026

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.

IFRS 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:

	31.12.2013.	31.12.2012.
1 USD	0.515	0.531
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0156	0.0174

(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 financial 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 its material components as per IAS 16. Estimates of the Group about allocation of PPE to its 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 9142752 (31.12.2012. - LVL 7763820).

Stage of completion method for long-term contracts

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 2698998 (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 1166641 (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 3067030 (31.12.2012. - LVL 2393488).

1. Net sales

	2013	2012
According to operating activities		
Production	19 038 126	21 498 140
Other	201 791	481 291
Total	19 239 917	21 979 431
<u>According to the location</u>		
Income from export to Latvia	1 740 020	2 328 369
Income from export to Russia	11 376 230	14 889 310
Income from export to EU market	4 530 873	2 980 466
Income from export to Belarus	1 085 059	668 976
Income from export to Uzbekistan	314 546	924 864
Other	193 189	187 446
Total	19 239 917	21 979 431

2. Production costs

Raw, material and spare parts expenses	9 708 662	11 573 588
Utility expenses	1 284 156	1 350 930
Salary expenses	3 473 864	3 522 792
Social insurance	828 653	839 232
Depreciation of fixed assets	404 460	412 455
Other production costs	754 814	921 415
Total	16 454 609	18 620 412

3. Selling expenses

Transportation costs	96 072	83 900
Salary	95 467	79 924
Social insurance	22 853	19 117
Mediation services	97 666	244 881
Other	21 507	13 569
Total	333 565	441 391

4. Administrative expenses

Salary expenses	1 362 698	1 238 786
Social insurance	325 064	295 715
Utility costs	131 087	131 582
Office expenses	55 819	54 734
Depreciation of fixed assets	104 209	90 262
Professional services costs	32 807	18 747
Other administrative costs	207 444	178 510
Total	2 219 128	2 008 336

5. Other income

Income from fixed assets sale	15	2 811
Rental income	81 422	49 591
The received ERDF funding	23 457	17 220
Other income	44 257	35 082
Total	149 151	104 704

6. Other expenses

Expenses of collective agreement	28 251	12 255
Other expenses	5 768	6 779
Total	34 019	19 034

7. Fixed assets and intangible assets

	<i>Non-material investments</i>	<i>Land and buildings</i>	<i>Equipment and machinery</i>	<i>Other fixed assets and inventory</i>	<i>Fixed assets under construction</i>	<i>Advance payments</i>	<i>Total</i>
Cost / Valuation							
01.01.2013.	26 515	6 304 891	7 358 845	729 556	126 211		14 546 018
Additions	5 622	291 323	514 237	23 867	961 193	1 042 730	2 838 972
Disposals			-51 098	-158 307	-838 033	-69 782	-1 117 220
Reclassification							
Revaluation							
31.12.2013.	32 137	6 596 214	7 821 984	595 116	249 371	972 948	16 267 770
Depreciation							
01.01.2013.	13 272	1 253 811	4 825 863	676 009			6 768 955
Charge	6 242	183 675	343 401	19 527			552 845
Disposals			-51 098	-158 307			-209 405
Reclassification							
Corrections for previous year's error							
31.12.2013.	19 514	1 437 486	5 118 166	537 229			7 112 395
Net book value							
01.01.2013.	13 243	5 051 080	2 532 982	53 547	126 211		7 777 063
Net book value							
31.12.2013.	12 623	5 158 728	2 703 818	57 887	249 371	972 948	9 155 375

8. Inventory

Unfinished production	125 667	203 403
Materials	2 249 481	1 797 884
Finished goods and items for sale	691 882	503 544
Total	3 067 030	2 393 488

9. Trade receivables

Trade receivables	1 166 641	1 812 912
Total	1 166 641	1 812 912

10. Other current assets

VAT overpaid	28 433	0
Guarantee	42 628	13 463
Other claims	112 915	13 587
Settlement for raw materials	287 891	174 589
Payment next periods	20 842	18 916
Total	492 709	220 555

11. Cash and bank

Cash op hand	671	1 387
Cash at bank	151 754	27 538
Total	152 425	28 925

12. Share capital

As at 3 December 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	1 768 186	1 268 387
Loans from credit institutions short-term part	1 474 379	1 443 713
Other loans	175 701	0
Total	3 418 266	2 712 100

14. Other liabilities

Non-current		
Grant received for the purchase of non-current assets (non-current part)	371 060	387 926
Accrued liabilities to post-employment benefits (non-current part)	83 903	83 903
Total	454 963	471 829
Current		
Accumulation for unused vacations	238 766	270 368
Advances from customers	1 647 338	983 879
Salary	277 909	275 744
Social insurance	143 364	156 227
Personnel income tax	69 846	81 190
VAT	0	10 675
Other taxes	1 556	1 973
Grant received for the purchase of non-current assets (current part)	16 866	16 866
Accrued liabilities to post-employment benefits (current part)	4 725	4 725
Other	251 748	205 636
Total	2 652 118	2 007 283

15. Trade payables

Short-term part 2 300 846 2 936 985

16. Taxes and social insurance

	01.01. 2013.	Calculated	(Paid)/ repaid	Transferred and corporate income tax (advances payment)	31.12.2013.
VAT	10 675	-901 084	-11 540/+1 220	872 296	-28 433
Personnel income tax	81 190	862 541	-813 179	-60 706	69 846
Social insurance	156 227	1 729 008	-929 780	-812 091	143 364
Corporate income tax	33 845	152	-105 519	+501/71 021	-
Real estate tax (land)	-	4 990	-4 990	-	-
Real estate tax (buildings)	-	48 740	-48 740	-	-
Natural resource tax	1 686	6 853	-7 261	-	1 278
The state tax for company's business	287	3 407	-3 416	-	578
Total	283 910	1 754 608	-1 924 425/+1 220	71 021	186 333

Hereof:

Liabilities/ 283 910

214 776

(Overpaid)

28 433

17. Average number of employees

Average number of employees

1 085

1 094

Natālija Petrova

Chairman of the Board

Cash flow statement

I. Cash flow from operating activities for 12 months 2013

Activities	2013. LVL		2013. EUR		2012. LVL		2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxes	276529		393465		935399		1330953	
Adjustments: a) depreciation	552845		786628		548526		780482	
b) provision		117881		167730	86255		122730	
c) profit or loss from fluctuations of currency exchange		5413		7702		3336		4747
Provision decrease								
Income from sale of fixed assets						2811		4000
Interest expenses								
Adjustments: a) Changes in accounts receivables	1394378		1984021			1250464		1779250
b) Changes in reserves		673542		958364		370854		527678
c) Changes in accounts payables		60827		86549	1266275		1801747	
Gross cash flow operating activities	2223752	857663	3164114	1220345	2836455	1627465	4035912	2315675
Corporate income tax paid		33845		48157	167558		238414	
Cash flow before extraordinary items	2223752	891508	3164114	1268502	3004013	1727465	4274326	2315675
Net cash flow from operating activities	1332244		1895612		1376548		1958651	

II. Cash flows from investing activities

Activities	2013. LVL		2013. EUR		2012. LVL		2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Acquisition of fixed assets and intangible assets		1931156		2747787		697085		991862
Income from sale of fixed assets and intangible assets					5530		7868	
Participation in other companies					480		683	
Net cash flow from investing activities		1931156		2747787		691075		983311

III. Cash flows from financing activities

Activities	2013. LVL		2013. EUR		2012. LVL		2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution	722412		1027900					
Borrowing repaid						1241709		1766793
Net cash flows from financing activities	722412		1027900			1241709		1766793

IV. Total cash flow

Activities	2013. LVL		2013. EUR		2012. LVL		2012. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities	1332244		1895612		1376548		1958651	
Cash flows from investing activities		1931156		2747787		691075		983311
Cash flows from financing activities	722412		1027900			1241709		1766793
Net cash flow of the current period	2124868		3021412		2478296		3723755	
Cash and cash equivalents at the beginning of the reporting period	28925		41157		585161		832609	
Cash and cash equivalents at the end of the reporting period	152425		216882		28925		41157	