

**ENG**

AS Daugavpils Lokomotīvu Remonta Rūpnīca

**ANNUAL REPORT**

**for the 12 months period ended 31 December 2014**

AS "Daugavpils Lokomotīvu Remonta Rūpnīca"  
GADA PĀRSKATS  
par periodu līdz 2014. gada 31. decembrim

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**INFORMATION ON THE COMPANY**

Name of the company	AS Daugavpils Lokomotīvu Remonta Rūpnīca
Legal status of the company	Joint Stock Company
Number, place and date of registration	Company Register Nr. 40003030219 Rīga, 3 October 1991  Commercial Register Rīga, 8 June 2004
Address	Marijas street 1 Daugavpils, LV-5401 Latvia
Type of operations	NACE 2: 30.20 Railroad locomotives and rolling stock manufacturing
Major Shareholders	AS Skinest Rail (Estonia) - 47,97% AS Spacecom (Estonia) - 25,27% Others - 26,76%
Names and positions of the Council members	Oleg Ossinovski - Chairman of the Council Sergei Jakovlev - Member of the Council Lauri Reinhold - Member of the Council (from 19.02.2014) Mihhail Terentjev - Member of the Council (from 19.02.2014)  Roman Zahharov - Member of the Council (from 09.02.2015) Aivar Keskula - Vice Chairman of the Council (till Tomas Petraitis - Member of the Council (till 19.02.2014) Natalja Kumar - Member of the Council (till 19.02.2014)
Names and positions of the Board members	Aivar Keskuela - Chairman of the Board (from 24.02.2015) Natālija Petrova - Chairman of the Board (till 24.02.2015) Natālija Petrova - Member of the Board (from 24.02.2015) Vladimirs Kirsanovs - Member of the Board (from 24.02.2015) Aleksejs Kolpakovs - Member of the Board Eduards Krukovskis - Member of the Board Mihails Mamonovs - Member of the Board (till 19.02.2014)
Financial year	1 January, 2014 - 31 December, 2014
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Rīga LV-1010 Latvia  Certified auditor in charge Eriks Bahirs Certificate No.136

## **REPORT OF THE MANAGEMENT**

### **Type of operations**

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

### **Performance of the Company during the financial year**

In 2014 net sales of the Company were 28.1 million EUR (in 2013 - 36,6 million EUR). Sales of principal activity (repair services and sales of spare parts) comprised 18.4 million EUR, that compile 17% reduction against to the 2013. In addition to principal activity the Company has rendered to subsidiaries the following services: sale of materials, rent, administration and management services and others, which provides the additional net sales of 9.6 million EUR (in 2013 - 14.5 million EUR).

During the reporting period the Company was working in a full capacity during first three quarters, Q4 due to political and economic crisis, the Company was not provided with the necessary number of repair objects. Due to low loading level and devaluation of the Russian ruble, some of the Company's subsidiaries completed the reporting year with significant losses, therefore in the Company's annual report the additional provisions of 0.7 million EUR for outstanding debts of subsidiaries were created. Due to the above mentioned, the Company ended the reporting year with losses of 0.7 million EUR.

During the reporting year, the Company has continued the development of new products' manufacturing technology, through the purchase of equipment in 2011 and 2014 in cooperation with ERDF funds. During the reporting year the equipment was purchased and majority were put into operation. Till March 2, 2015 all equipment that was purchased within the framework of ERDF project were put into operation.

### **Performance of the Group during the financial year**

In 2014 the Group's consolidated net sales amounted to 20,1 million EUR (decrease of 21% in respect of net sales of 2013).

The Group finished the year with losses of 1,2 million EUR. In 2014 the Group exported its products to 8 countries, the total export volume amounted to 18 million EUR (in 2013 - 23,2 million EUR), while net sales in Latvia amounted to 2,1 million EUR (in 2013 - 2,4 million EUR). The main directions of export in 2014 were EU countries: Lithuania and Estonia, and third countries: Russia, Belarus and Uzbekistan.

### **Financial risk management**

The policy of financial risk management of the Company is described in financial report's Notes 36

### **Future prospects**

In 2015 the Company's priority is expanding of customer base and developing of new products, including machinery industry. The Company has a material base for these activities, including the equipment purchased in cooperation with ERDF funds. To increase the economic efficiency the Company has carried out reorganization and optimization of production processes, decrease of operational costs. In 2015 the Company will continue the development in the sector of railway rolling stock repair and spare parts production.

In 2015 the reorganization of the Group was done: three subsidiary companies were created: DL LOKOMOTĪVE SIA, DL METALWORKING SIA, Loģistika SIA. Types of operations: DL LOKOMOTĪVE SIA – rolling stock and its aggregate repair; DL METALWORKING SIA – manufacturing of spare parts, metalworking and foundry services; Loģistika SIA – logistic services and services related to the Group's utility services and equipment overhaul. The new structure begins to operate on April 1, 2015.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

**STATEMENT OF THE MANAGEMENT RESPONSIBILITY**

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

The Management confirms that in preparation of financial statements on page 6 to page 28 decisions and assessments were made prudent and reasonable. Accounting policies compared with last year have not changed. The Management confirms that the financial statements have been prepared on going concern basis.

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

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

AS "Daugavpils Lokomotīvu Remonta Rūpnīca"  
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**INCOME STATEMENT**

	Note	2014 EUR	2013 EUR
Net sales	(1)	28 092 465	36 637 500
Cost of sales	(2)	(25 832 583)	(34 739 561)
<b>Gross profit or losses</b>		<b><u>2 259 882</u></b>	<b><u>1 897 939</u></b>
Distribution expenses	(3)	(398 964)	(491 435)
Administrative expenses	(4)	(1 713 644)	(1 732 382)
Other operating income	(5)	197 635	208 697
Other operating expenses	(6)	(849 444)	(71 690)
Interest and similar expenses	(7)	(282 293)	(77 559)
<b>Profit or losses before taxes</b>		<b><u>(786 828)</u></b>	<b><u>(266 430)</u></b>
Corporate income tax	(8)	147 170	61 987
Other taxes	(9)	(58 944)	(59 510)
<b>Net profit or losses</b>		<b><u><u>(698 602)</u></u></b>	<b><u><u>(263 953)</u></u></b>
<b>Earnings per share (in euro cents)</b>	(10)		
Basic		(8,42)	(3,18)
Diluted		(8,42)	(3,18)

Notes on pages 11 to 28 are an integral part of these financial statements.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

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**BALANCE SHEET**

		31.12.2014. EUR	31.12.2013. EUR
	Note		
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
<b>Intangible assets:</b>			
Other intangible assets	(11)	22 212	17 960
<b>Total intangible assets:</b>		<b>22 212</b>	<b>17 960</b>
<b>Fixed assets:</b>			
Land and buildings	(11)	2 075 726	2 074 451
Equipment and machinery	(11)	7 243 088	3 847 185
Other fixed assets	(11)	79 704	82 367
Fixed assets under construction	(11)	991 730	365 080
Advances for fixed assets	(11)	-	1 384 380
<b>Total fixed assets:</b>		<b>10 390 248</b>	<b>7 753 463</b>
<b>Investment property:</b>			
Buildings	(11)	3 700 542	3 218 602
<b>Total non-current financial investments:</b>		<b>3 700 542</b>	<b>3 218 602</b>
<b>Non-current financial investments:</b>			
Investments in subsidiaries	(12)	22 766	31 303
<b>Total non-current financial investments:</b>		<b>22 766</b>	<b>31 303</b>
<b>Total non-current investments:</b>		<b>14 135 768</b>	<b>11 021 328</b>
<b>Current assets</b>			
<b>Inventories:</b>			
Raw materials and consumables	(13)	2 549 735	2 996 161
Work in progress	(14)	49 489	-
Finished goods and goods for sale	(15)	329 786	138 274
Advances for inventories		480 098	405 679
<b>Total inventories:</b>		<b>3 409 108</b>	<b>3 540 114</b>
<b>Account receivable:</b>			
Trade receivables	(16)	2 603 516	1 476 226
Receivables from group companies	(17)	217 405	3 114 064
Receivables from associates	(35)	1 739 005	-
Other receivables	(18)	194 844	273 805
Deferred expenses	(19)	26 158	29 655
Accrued income	(20)	2 368 047	3 574 795
<b>Total receivables:</b>		<b>7 148 975</b>	<b>8 468 545</b>
<b>Current financial investments:</b>			
Investments in subsidiaries	(12)	8 537	-
<b>Total current financial investments:</b>		<b>8 537</b>	<b>-</b>
<b>Cash and bank:</b>	(21)	<b>26 969</b>	<b>214 537</b>
<b>Total current assets:</b>		<b>10 593 589</b>	<b>12 223 196</b>
<b><u>Total assets</u></b>		<b><u>24 729 357</u></b>	<b><u>23 244 524</u></b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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**BALANCE SHEET**

		<b>31.12.2014.</b>	<b>31.12.2013.</b>
		<b>EUR</b>	<b>EUR</b>
	<b>Note</b>		
<b><u>EQUITY, PROVISIONS AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	(22)	11 801 610	11 801 610
Non-current investments' revaluation reserve	(11)	1 602 393	1 604 712
Retained earnings			
previous year's retained earnings		(5 616 732)	(5 352 779)
current years profit or losses		(698 602)	(263 953)
<b>Total equity:</b>		<b>7 088 669</b>	<b>7 789 590</b>
<b>Provisions:</b>	(23)	<b>57 479</b>	<b>796 818</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Loans from banks	(24)	550 791	2 249 228
Other borrowings	(25)	2 969 465	-
Deferred income tax liabilities	(8)	212 999	360 578
Deferred income	(29)	572 688	527 971
<b>Total non-current liabilities:</b>		<b>4 305 943</b>	<b>3 137 777</b>
<b>Current liabilities:</b>			
Loans from banks	(24)	5 601 224	2 364 528
Other borrowings	(25)	-	250 000
Advances from customers		802 949	2 343 427
Trade payables		3 416 127	2 980 642
Payables to group companies	(26)	691 051	304 469
Payables to associates	(35)	1 457 731	-
Taxes and social insurance payments	(27)	51 397	47 696
Other liabilities	(28)	171 841	269 617
Deferred income	(29)	37 742	23 998
Accrued liabilities	(30)	1 047 204	2 935 962
<b>Total current liabilities:</b>		<b>13 277 266</b>	<b>11 520 339</b>
<b>Total liabilities:</b>		<b>17 583 209</b>	<b>14 658 116</b>
<b><u>Total equity, provisions and liabilities</u></b>		<b><u>24 729 357</u></b>	<b><u>23 244 524</u></b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015



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**STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital	Non-current assets revaluation reserve	Retained earnings	Total
		EUR	EUR	EUR	EUR
<b>31.12.2012.</b>		<b>11 801 610</b>	<b>1 630 529</b>	<b>(5 352 779)</b>	<b>8 079 360</b>
Disposal of revalued fixed assets	(11)	-	(30 373)	-	(30 373)
Changes in deferred tax liabilities	(8)	-	4 556	-	4 556
Losses for the year		-	-	(263 953)	(263 953)
<b>31.12.2013.</b>		<b>11 801 610</b>	<b>1 604 712</b>	<b>(5 616 732)</b>	<b>7 789 590</b>
Disposal of revalued fixed assets	(11)	-	(2 728)	-	(2 728)
Changes in deferred tax liabilities	(8)	-	409	-	409
Losses for the year		-	-	(698 602)	(698 602)
<b>31.12.2014.</b>		<b>11 801 610</b>	<b>1 602 393</b>	<b>(6 315 333)</b>	<b>7 088 669</b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

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**CASH FLOW STATEMENT**

	Note	2014 EUR	2013 EUR
<b>Cash flow from operating activities</b>			
Profit or losses before taxes		(786 828)	(266 430)
<u>Adjustments for:</u>			
depreciation of investment property, fixed and intangible assets	(11)	909 712	732 331
profit from sales and disposal of fixed assets	(5)	(21 200)	(30 373)
changes in provisions	(13), (15)	(123 406)	137 912
(gains)/losses from exchange rate fluctuations		65 876	(23 650)
interest expenses	(7)	262 657	70 803
<b>Cash flow prior to changes in current assets and liabilities</b>		<b>306 811</b>	<b>620 593</b>
Inventory (increase)/decrease		(1 596 054)	(987 719)
Account receivable (increase)/decrease		2 405 853	3 392 374
Account payable increase/(decrease)		(2 072 267)	(912 947)
<b>Gross cash flow generated from operating activities</b>		<b>(955 657)</b>	<b>2 112 301</b>
Interest paid		(137 498)	(74 726)
Corporate income tax repaid/(paid)	(27)	22 523	(132 716)
<b>Net cash flow generated from operating activities</b>		<b>(1 070 632)</b>	<b>1 904 859</b>
 <b>Cash flow from investing activities</b>			
Acquisition of investment property, fixed and intangible assets	(11)	(3 207 962)	(2 758 046)
Proceeds from sales of fixed assets		21 200	-
<b>Net cash flow generated from investing activities</b>		<b>(3 186 762)</b>	<b>(2 758 046)</b>
 <b>Cash flow from financing activities</b>			
Grants received		96 203	-
Loans received	(24), (25)	5 046 324	2 313 003
Loans repaid	(24), (25)	(1 072 701)	(1 284 569)
<b>Net cash flow generated from financing activities</b>		<b>4 069 826</b>	<b>1 028 434</b>
 <b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(187 568)</b>	<b>175 247</b>
 <b>Cash and cash equivalents at the beginning of the financial year</b>		<b>214 537</b>	<b>39 290</b>
 <b>Cash and cash equivalents at the end of the financial year</b>	(21)	<b>26 969</b>	<b>214 537</b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

## **NOTES TO THE FINANCIAL STATEMENTS**

### **I. ACCOUNTING POLICIES**

#### **(1) General principles**

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

#### **(2) Income recognition and net sales**

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

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the stage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis.

Income from repair and modernization services is recognised on the basis of percentage of completion method. Contract costs related to repair and modernization services are recognised when incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company apply the stage of completion method to determine the appropriate amount of revenues to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

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

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

#### **(3) Foreign currencies**

Starting from the 1st January 2014 the national currency of the Latvian Republic is euro (EUR), as a result from this date the Company performed its accounting in euros. All assets, liabilities and components of equity are converted from the lats to the euros, applying flat rate 0.702804 LVL/EUR. This conversion has no impact on the income statement. Financial statement comparative indicators for the previous year also are converted, using flat rate 0.702804 LVL/EUR.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction.

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

	31.12.2014. EUR	31.12.2013. EUR
1 USD	0,8237	0,7251
1 LTL	0,2896	0,2896
1 RUB	0,0138	0,0221

**(4) Fixed and intangible assets**

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

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

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

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

The Company capitalizes its fixed assets valued over EUR 427 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 427 is calculated at 100% after commissioning.

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

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

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

**(5) Investment property**

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

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

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

	<b>Depreciation % per annum</b>
Buildings	1,67 - 10

**(6) 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.

**(7) Inventories**

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

**(8) Account receivable**

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

**(9) Investments in group and associates, other financial investments**

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

**(10) 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.

**(11) 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.

**(12) Taxation**

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

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

**(13) Cash and cash equivalents**

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

**(14) Grants**

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

**(15) Earnings per share**

Earnings per share are determined dividing the net gains or losses attributable to shareholders of the Company by the average weighted quantity of the shares in the reporting year.

**(16) Group companies**

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

**(17) Associates**

An associated company is an entity within a significant influence of the Company. The significant influence is provided by holding no less than 20% and no more than 50% of the share capital or voting rights.

**(18) Related parties**

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

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**II. OTHER NOTES**

(1) Net sales	2014	2013
	EUR	EUR
<b>a) By operating activities</b>		
Income from railway rolling stock repair and modernization services	16 573 714	21 115 673
Income from sales of materials (see Note (35))	5 846 934	9 343 581
Income from sale of spare parts	1 873 520	997 960
Income from rent of premises and equipment (see Note (35))*	1 799 014	1 799 014
Other income	897 375	510 854
Income from sales of railway rolling stock	456 201	2 567 574
Other income from transactions with subsidiaries (see Note (35))	371 291	28 490
Management and administrative services (see Note (35))	274 416	274 354
	<u>28 092 465</u>	<u>36 637 500</u>

\* Rental income

The Company rents most of the property, plants and equipment and other tangible assets to subsidiary SIA "Remenergo". Rental income for property, plants and equipment in 2014 amounted to EUR 1 799 014 (2013 - EUR 1 799 014). Rent agreements are signed till 31 December 2015.

**b) By location**

The Company operates in Latvia by selling repair services and spare parts on the domestic market, as well as performing export of this service and goods.

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

	2014	2013
	EUR	EUR
Income from sales of goods/services in Latvia	10 514 827	13 681 815
Income from sales of goods/services to Russia	9 491 364	15 168 514
Income from sales of goods/services to EU	5 990 843	5 668 627
Income from sales of goods/services to Belarus	808 120	1 543 900
Income from sales of goods/services to Uzbekistan	443 487	301 679
Income from sales of goods/services to other countries	843 824	272 965
	<u>28 092 465</u>	<u>36 637 500</u>

(2) Cost of sales		
Service costs from subsidiaries	16 612 308	21 502 958
Costs of materials and goods from subsidiaries and others	7 505 381	11 076 017
Other production costs	703 487	877 158
Depreciation of fixed assets	636 000	575 495
Utility expenses	169 624	293 728
Expenses related to purchase of materials and goods	149 430	219 361
Salary expenses	145 551	82 602
Social insurance costs	34 208	19 754
Changes in provisions for impairment of inventories	(11 946)	-
Changes in provisions for warranty repairs	(111 460)	92 488
	<u>25 832 583</u>	<u>34 739 561</u>

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<b>(3) Distribution expenses</b>	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Transport costs	203 029	135 806
Salary expenses	96 891	135 837
Brokerage services	38 097	138 966
Social insurance costs	22 635	32 517
Other distribution costs	38 312	48 309
	<u><b>398 964</b></u>	<u><b>491 435</b></u>
<b>(4) Administrative expenses</b>		
Salary expenses	800 111	831 737
Social insurance costs	186 718	198 209
Depreciation of fixed assets	273 712	155 390
Other administration costs	158 503	175 023
Utility expenses	143 143	180 100
Office maintenance costs	49 455	63 417
Other personnel costs	45 028	69 965
Rent expenses	27 302	25 112
Professional service costs	26 913	29 557
Representation costs	2 759	3 872
	<u><b>1 713 644</b></u>	<u><b>1 732 382</b></u>
<b>(5) Other operating income</b>		
Rental income	107 291	115 853
Received ERDF grant (see Note (29)) for the acquisition of fixed assets	37 742	23 998
Other income	25 088	16 446
Net income from sale and disposal of fixed assets, including write-off of revaluation reserve	21 200	30 373
Other financing from EU funds	6 314	14 045
Net gain from exchange rate fluctuations	-	7 982
	<u><b>197 635</b></u>	<u><b>208 697</b></u>
<b>(6) Other operating expenses</b>		
Impairment losses for receivables	782 860	25 192
Net loss from exchange rate fluctuations	39 260	-
Costs of collective employment agreement	17 961	38 560
Other costs	9 363	7 938
	<u><b>849 444</b></u>	<u><b>71 690</b></u>
<b>(7) Interest and similar expenses</b>		
Interest expense	346 050	81 060
(Interest capitalized to fixed assets)	(83 393)	(10 257)
Interest expense, net	262 657	70 803
Penalties paid	19 636	6 756
	<u><b>282 293</b></u>	<u><b>77 559</b></u>



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(8) Corporate income tax	2014	2013
a) Components of corporate income tax	EUR	EUR
Changes in deferred income tax	(147 170)	(61 987)
Corporate income tax according to the tax return	-	-
	<u>(147 170)</u>	<u>(61 987)</u>

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

	2014	2013
	EUR	EUR
Profit before taxes	(786 828)	(266 430)
Real estate taxes	(58 944)	(59 510)
Profit before corporate income tax	<u>(845 772)</u>	<u>(325 940)</u>
Theoretically calculated tax at 15% tax rate	<u>(126 866)</u>	<u>(48 891)</u>
Tax effects on:		
Permanent differences	51 022	13 236
Tax discount for the acquisition new technological equipment	(71 326)	(19 845)
Tax discount for reinvested profit	-	(6 487)
<b>Total corporate income tax expenses</b>	<u>(147 170)</u>	<u>(61 987)</u>

**b) Movement and components of deferred tax**

Deferred tax liabilities (asset) at the beginning of the financial year	360 578	427 121
Deferred tax charged to the income statement	(147 170)	(61 987)
Changes in deferred tax recognised in non-current investment (fixed assets) revaluation reserve	(409)	(4 556)
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<u>212 999</u>	<u>360 578</u>

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

	31.12.2014.	31.12.2013.
	EUR	EUR
Temporary difference on depreciation of fixed, intangible assets and investment property	669 196	569 792
Gross deferred tax liabilities	<u>669 196</u>	<u>569 792</u>
Provisions for warranty costs	(8 622)	(25 341)
Provisions for impairment of inventories	(22 756)	(24 547)
Provisions for impairment of receivables	(183 929)	-
Provisions for financial support to subsidiaries	-	(94 183)
Tax losses carried forward	(240 890)	(65 143)
Gross deferred tax assets	<u>(456 197)</u>	<u>(209 214)</u>
<b>Net deferred tax liability (assets)</b>	<u>212 999</u>	<u>360 578</u>

(9) Other taxes	2014	2013
	EUR	EUR
Real estate tax for land	5 654	5 646
Real estate tax for buildings	53 290	53 864
	<u>58 944</u>	<u>59 510</u>

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**(10) Earnings per Share (expressed in cents per share)**

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

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

	2014	2013
Profit/(loss) attributed to shareholders of the Company (EUR)	(698 602)	(263 953)
Average annual number of shares	8 294 219	8 294 219
<b>Earnings per share (expressed in euro cents)</b>	<b>(8,42)</b>	<b>(3,18)</b>

**(11) Intangible, fixed assets and investment property**

	Intangible assets Concessions, licenses, trade marks etc.	Investment property Buildings	Property, plant and equipment				Property, plant and equipment total
			Lands and buildings	Equipment and machinery	Other assets	Assets under construction and advances for fixed assets	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>							
31.12.2013.	45 726	4 255 030	2 789 183	11 129 680	846 773	1 749 460	16 515 096
Additions	-	-	-	-	-	4 032 689	4 032 689
Disposals	-	-	-	(20 966)	(6 048)	-	(27 014)
Reclassification	14 886	625 987	46 976	4 069 623	32 947	(4 790 419)	(640 873)
31.12.2014.	60 612	4 881 017	2 836 159	15 178 337	873 672	991 730	19 879 898
<b>Depreciation</b>							
31.12.2013.	(27 766)	(1 036 428)	(714 732)	(7 282 495)	(764 406)	-	(8 761 633)
Calculated	(10 634)	(144 047)	(45 701)	(673 720)	(35 610)	-	(755 031)
Disposals	-	-	-	20 966	6 048	-	27 014
31.12.2014.	(38 400)	(1 180 475)	(760 433)	(7 935 249)	(793 968)	-	(9 489 650)
<b>Net carrying amount 31.12.2013.</b>	<b>17 960</b>	<b>3 218 602</b>	<b>2 074 451</b>	<b>3 847 185</b>	<b>82 367</b>	<b>1 749 460</b>	<b>7 753 463</b>
<b>Net carrying amount 31.12.2014.</b>	<b>22 212</b>	<b>3 700 542</b>	<b>2 075 726</b>	<b>7 243 088</b>	<b>79 704</b>	<b>991 730</b>	<b>10 390 248</b>

In accordance with the accounting policy of the Company, all land and buildings owned by Company, except those which are leased out to subsidiaries of the Company, are classified as tangible assets (see Note (35)), other buildings classified as investment property.

**Intangible, fixed assets and investment property (continuation)**

**a) Revaluation of fixed assets and investment property**

In 1996, 1999 and 2001 the Company revaluated land, buildings and equipment. Respectively in 1996 value of tangible assets was increased by EUR 938 438, in 1999 by EUR 1 875 134 and in 2001 by EUR 1 266 290. Real estate's market value was determined using the sales comparison method, as well as discounted cash flow method. The difference accrued in the result of revaluation is recognized in the equity item "Non-current assets revaluation reserve".

With the assistance of licensed independent experts in 2007, 2008 and 2009 the Company has revaluated its own land and buildings. The increase of value occurred as a result of revaluations was in the amount of EUR 3 606 792 in 2007 and EUR 1 931 073 in 2008 and EUR 410 947 in 2009 (less the amount of deferred tax liabilities related to the revaluation of tangible assets) are deducted from revaluation reserves.

As per management's estimates no significant factors were identified during the reporting period, that would have a material effect on the changes of the assets value, as a result no fair value valuation of fixed assets and investment property were done.

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

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Cost	8 111 433	7 438 471
Accumulated depreciation	(2 858 268)	(2 701 602)
<b>Net carrying amount</b>	<b><u>5 253 165</u></b>	<b><u>4 736 869</u></b>

Total fixed assets and investment property revaluation amount on the 31 December 2014, less deferred tax effect, was EUR 1 602 393 (31.12.2013 - EUR 1 604 712).

**b) Capital commitment for acquisition of fixed assets**

During the reporting year, the Company has continued the execution of contract with the Latvian Investment and Development Agency (LIAA) within the EU co-funded project "High value-added investments". EU financing will be available of 35% of the eligible project costs, provided that the terms for the financing specified in the agreement will be satisfied. Within the project the Company has signed contracts with 18 suppliers for purchases of equipment. Based on the signed purchase contracts the Company has obligation to make total payments for equipment in the amount of EUR 741 334.

**c) Other notes**

The cadastral value of the Company's land plots on 31 December 2014 was EUR 473 315 (31.12.2013 - EUR 473 677), the cadastral value of buildings is EUR 4 561 907 (31.12.2013 - EUR 4 626 557).

Information on pledged fixed assets and investment properties disclosed in the Note 24 to the financial statements.

**(12) Equity investments**

**a) movement of investments**

	Non-current		Current	
	Investments in subsidiaries	Total	Investments in subsidiaries	Total
	EUR	EUR	EUR	EUR
<b>Cost</b>				
31.12.2013.	31 303	31 303	-	-
Reclassification	(8 537)	(8 537)	8 537	8 537
31.12.2014.	22 766	22 766	8 537	8 537
<b>Net carrying amount 31.12.2012.</b>	<b><u>31 303</u></b>	<b><u>31 303</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net carrying amount 31.12.2013.</b>	<b><u>22 766</u></b>	<b><u>22 766</u></b>	<b><u>8 537</u></b>	<b><u>8 537</u></b>

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**b) investments in subsidiaries**

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2013. %	31.12.2014. %	31.12.2013. EUR	31.12.2014. EUR	2013 EUR	2014 EUR
SIA REL	Marijas 1, Daugavpils	100%	100%	(47 370)	(169 854)	36 098	(122 484)
SIA Elap	Marijas 1, Daugavpils	100%	100%	97 381	75 668	45 942	(21 714)
SIA Remdīz	Marijas 1, Daugavpils	100%	100%	(105 445)	(201 313)	(21 915)	(95 869)
SIA Ritrem	Marijas 1, Daugavpils	100%	100%	287 609	291 732	84 096	4 124
SIA Elektromaš	Marijas 1, Daugavpils	100%	100%	612 573	600 346	122 743	(12 228)
SIA Krāsotājs	Marijas 1, Daugavpils	100%	100%	(167 485)	(164 175)	21 342	3 307
SIA SPZČ	Marijas 1, Daugavpils	100%	100%	167 811	(104 371)	191 681	(272 183)
SIA Metalurģs	Marijas 1, Daugavpils	100%	100%	(735 205)	(1 219 105)	(449 118)	(483 900)
SIA Remenergo	Marijas 1, Daugavpils	100%	100%	(111 281)	(1 070 509)	72 979	(959 228)
SIA Instruments	Marijas 1, Daugavpils	100%	100%	(152 967)	(152 967)	-	-
SIA Loģistika	Marijas 1, Daugavpils	100%	100%	14 626	(14 718)	1 756	(29 344)
				<b>(139 753)</b>	<b>(2 129 266)</b>	<b>105 604</b>	<b>(1 989 519)</b>

**Types of operations of subsidiaries**

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

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

**Reorganization of subsidiaries' activities in 2015**

To increase the economic efficiency in the beginning of 2015 the Company has carried out reorganization and optimization of production processes, decrease of operational costs. As a result changes to the structure of the Group have been made, redistributing subsidiaries' functions in the beginning of 2015:

a) All subsidiaries that are dealing with repair services (SIA Elektromaš, SIA REL, SIA Remdīz, SIA Ritrem, SIA Elap, SIA Krāsotājs) were merged under one subsidiary SIA Elektromaš (renamed as SIA DL Lokomotive).

b) A new subsidiary was established in 2015 - SIA DL Metalworking, which will operate for same functions as SIA Metalurģs un SIA SPZČ

c) SIA Remenergo functions were transferred to SIA Loģistika

d) In March 2015 the shares of subsidiaries SIA REL, SIA Remdīz and SIA Metalurģs were disposed for EUR 1 each, so preparing the Company's annual report they were reclassified as short-term financial investments. Whereas, starting from April 2015 SIA REL, SIA Elap, SIA Krāsotājs, SIA SPZČ and SIA Remenergo subsidiaries are not active.

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**b) investments in associates**

The Company in cooperation with AS "Rīgas Vagonbūves Rūpnīca" and AS "VRC Zaslauks" as an association of persons won AS "Pasažieru vilciens" open tender for modernization of diesel wagons and on January 31, 2014 entered into a contract with AS "Pasažieru vilciens". To comply with this agreement, the Company together with AS "Rīgas Vagonbūves Rūpnīca" and AS "VRC Zaslauks" founded the general partnership "DMU vilcieni", in which the Company owns 50% of the voting rights. General partnership does not have separate capital. The completion date of the contract with AS "Pasažieru vilciens" is the end of 2015 and the Company's share of the total works could reach EUR 9.5 million.

During the reporting year, the Company has started the preparation activities and is not entered in transactions with Partnership, except for receiving and paying of advances, as a result, revenue according to stage of completion method is recognized only for the amount of accrued costs of EUR 136 979.

<b>(13) Raw materials and consumables</b>	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Book value of raw materials and consumables	2 662 071	3 124 362
(Provisions for damaged and slow moving stock)	<u>(112 336)</u>	<u>(128 201)</u>
	<b><u>2 549 735</u></b>	<b><u>2 996 161</u></b>
<b>(14) Work in progress</b>		
Work in progress (products)	<u>49 489</u>	<u>-</u>
	<b><u>49 489</u></b>	<b><u>-</u></b>
<b>(15) Finished goods and goods for resale</b>		
Finished goods	369 013	173 568
Other goods for sale	150	164
(Provisions for damaged and slow moving stock)	<u>(39 377)</u>	<u>(35 458)</u>
	<b><u>329 786</u></b>	<b><u>138 274</u></b>
<b>(16) Trade receivables</b>		
Book value of trade receivables	4 081 833	2 855 993
(Provisions for bad and doubtful debts)	<u>(1 478 317)</u>	<u>(1 379 767)</u>
	<b><u>2 603 516</u></b>	<b><u>1 476 226</u></b>
Provisions for bad and doubtful debts have been created in the amount of 50% - 100% of their book value.		
Movement of provisions for trade receivables is the following:	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Provisions at the beginning of the year	1 379 767	1 362 842
Decrease of provisions for written off bad debts	-	(8 267)
Provisions created in the reporting period	<u>98 550</u>	<u>25 192</u>
Provisions at the year end	<b><u>1 478 317</u></b>	<b><u>1 379 767</u></b>

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**(17) Receivables from group companies**

Settlements with subsidiaries (see Note (35))	1 443 600	3 027 747
Loans to subsidiaries (see Note (35))	86 317	86 317
(Provisions for bad and doubtful debts)	<u>(1 312 512)</u>	<u>-</u>
	<u><b>217 405</b></u>	<u><b>3 114 064</b></u>

Movement of provisions for receivables from group companies	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Provisions at the beginning of the year	-	-
Reclassification of provisions for financial support to subsidiaries *	627 879	-
Provisions created in the reporting period	<u>684 633</u>	<u>-</u>
Provisions at the year end	<u><b>1 312 512</b></u>	<u><b>-</b></u>

Taking into account changes in the split of functions between subsidiaries and disposal of some subsidiaries in 2015, after assessing the recoverability of the debts from subsidiaries at the year end, the decision was made to create a specific provisions for outstanding receivables from subsidiaries . Provisions are estimated taking into account the prior year provisions for financial support to subsidiaries (see note 23).

Level of provisions is assessed for each subsidiary separately:

- 1) for subsidiaries disposed in 2015 - for the amount of nonrecoverable debts at the time of disposal;
- 2) for other subsidiaries - at the lowest of debt at the end of reporting year or at the time of the evaluation comparing to the amount of negative equity.

**(18) Other receivables**

Other receivables	98 465	56 161
Retentions on contracts	40 799	60 654
Corporate income tax overpaid (see Note (27) for details)	35 715	87 108
VAT overpaid (see Note (27))	18 893	46 080
Payments to personnel	972	30
VAT for advances received	-	22 008
Payments for other loans	-	1 764
	<u><b>194 844</b></u>	<u><b>273 805</b></u>

**(19) Deferred expenses**

Insurance payments	23 807	25 502
Other expenses	<u>2 351</u>	<u>4 153</u>
	<u><b>26 158</b></u>	<u><b>29 655</b></u>

**(20) Work-in-progress on repair and modernisation services**

Costs incurred and profit recognised as income	<u>2 368 047</u>	<u>3 574 795</u>
Gross amount of accrued income	<u><b>2 368 047</b></u>	<u><b>3 574 795</b></u>
where:		
Work-in-progress as assets (under "Accrued income")	<u>2 368 047</u>	<u>3 574 795</u>
	<u><b>2 368 047</b></u>	<u><b>3 574 795</b></u>
Corresponding amounts:		
Contract revenue recognised in income statement (under "Net sales")	16 573 714	21 115 673
Advances received from customers (under "Advances from customers" and "Payables to associates")	2 260 680	2 343 427
Retentions on contracts (under "Other receivables")	40 799	60 654

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**(21) Cash and bank**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Cash at bank on current accounts	26 374	213 582
Cash on hand	595	955
	<b>26 969</b>	<b>214 537</b>
	<b>26 969</b>	<b>214 537</b>

**(22) Share capital**

Registered and fully paid share capital of the Company is LVL 8 294 219 (EUR 11 801 610), which consist of 8 294 219 fully paid registered shares. Nominal value of each share is LVL 1 (EUR 1,42). All shares guarantees equal rights to dividends, reception of liquidation quotas and suffrage in shareholder's meeting. One share gives rights to 1 vote. All shares are dematerialized. The Company do not hold own shares or on behalf of third persons. Shares are not convertible, exchangeable or guaranteed.

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

**(23) Provisions**

	<b>Provisions for warranty costs</b>	<b>Provisions for financial support to subsidiaries</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>31.12.2012.</b>	<b>76 451</b>	<b>627 879</b>	<b>704 330</b>
Increase	92 488	-	92 488
<b>31.12.2013.</b>	<b>168 939</b>	<b>627 879</b>	<b>796 818</b>
Reclassified to provisions for Receivables from group companies	-	(627 879)	(627 879)
Decrease	(111 460)	-	(111 460)
<b>31.12.2014.</b>	<b>57 479</b>	<b>-</b>	<b>57 479</b>

**a) Provision for warranty costs**

In accordance with sales contracts the Company provides free of charge warranty repairs under general repair terms. The provision in financial statements of the Company is estimated taking into account the historical information on warranty costs and changes in net sales.

**b) Provisions for financial support to subsidiaries**

Taking into account the changes in the structure of the Group, a disposal of subsidiaries and redistribution of subsidiaries' functions, which are described in Note 12, the provisions for impairment loss of each subsidiary outstanding debts were made in the reporting year, and prior year provisions for financial support to subsidiaries were reclassified to provisions for receivables from group companies.

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**(24) Loans from banks**

		<b>31.12.2014.</b>	<b>31.12.2013.</b>
		<b>EUR</b>	<b>EUR</b>
<b>Non-current</b>	<b>Note</b>		
Investment credit in USD	a)	244 989	480 211
Investment credits with EU structural funds' co-financing in EUR	c)	-	1 480 101
Investment credit in EUR	b)	<u>305 802</u>	<u>288 916</u>
		<b><u>550 791</u></b>	<b><u>2 249 228</u></b>
<b>Current</b>			
Credit line in EUR	d)	1 415 900	1 469 057
Investment credits with EU structural funds' co-financing in EUR	c)	3 495 460	475 990
Current part of investment credit in USD	a)	293 931	261 909
Current part of investment credit in EUR	b)	<u>395 933</u>	<u>157 572</u>
		<b><u>5 601 224</u></b>	<b><u>2 364 528</u></b>

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

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

c) On October 2011, the Company signed an agreement with SWEDBANK AS for investment loan, which provides financing of EUR 1 559 392 for EU Structural Funds' project. The loan shall be repaid till 31.10.2016. The interest rate is 1.5% + 3 month EURIBOR.

In 2013 the Company signed a supplementary agreement with SWEDBANK AS for investment loan, which intended to finance the acquisition of equipment under the new agreement with LIAA. Loan amount is EUR 4 400 000 with a maturity date of 07.05.2015. The interest rate is 2.7% + 3 month EURIBOR until the equipment has been put into operation (final deadline of 31.12.2014) and the LIAA funding is received, subsequently fixed rate decreases to 2.4%.

d) On October 2011, the Company has signed a contract with SWEDBANK AS on the granting of credit line of EUR 1 500 000. The credit line repayable by 05.07.2015. The interest rate is 1.75% + 3month EURIBOR and 0.2% per annum on the amount of unused credit line. Starting from February 2015 interest rate has been increased to 2.25% and 0,3% per annum on the amount of unused credit line.

The implementation of obligations of the Company are provided and strengthened by:

(i) mortgage on all real estate belonged to the Company;

(ii) commercial pledge of all property of the Company as a total of belongings at the moment of mortgage, as well as total of belongings for the next components.

The carrying value of Company's mortgaged assets on 31 December 2014 is EUR 24 729 357 (31.12.2013 - EUR 23 244 524).

**(25) Other borrowings**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
<b>Non-current</b>		
Loan from related company	2 751 240	-
Accrued interest for loans from related company	<u>218 225</u>	<u>-</u>
	<b><u>2 969 465</u></b>	<b><u>0</u></b>
<b>Current</b>		
Loan from related company	<u>-</u>	<u>250 000</u>
	<b><u>0</u></b>	<b><u>250 000</u></b>

In 2013 Company received a loan from related company of EUR 950 000. Part of the loan in the amount of EUR 700 000 was repaid, but in 2014 the additional EUR 450 000 were received. The loan is to be repaid starting from 01 January, 2016. The interest rate per annum is 12%.

In 2014 the Company received additional loans in the amount of EUR 762 240 and EUR 1 739 000. The interest rates are 12 % and 10 % accordingly and the loans are repayable starting from January 01, 2016.

Loans are not secured by a pledge of the Company assets or otherwise.



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**(26) Payables to group companies**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Settlements with subsidiaries (see Note (35))	691 051	304 469
	<u><b>691 051</b></u>	<u><b>304 469</b></u>

**(27) Taxes and social insurance payments**

	31.12.2013.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to/(from) other taxes	31.12.2014.
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
VAT*	(46 080)	(969 142)	-	2 035	994 294	(18 893)
Personal income tax	15 857	184 958	169	(159 863)	(15 614)	25 507
Social insurance payments	29 971	353 984	209	(90 600)	(270 189)	23 375
Corporate income tax	(87 108)	-	40	22 523	28 830	(35 715)
Real estate tax (land)	-	5 654	94	(5 607)	-	141
Real estate tax (buildings)	-	53 290	1 116	(53 169)	-	1 237
Natural resource tax	1 819	5 747	-	(6 480)	-	1 086
Enterprise risk duty	49	627	-	(625)	-	51
<b>Total</b>	<b>(85 492)</b>	<b>(364 882)</b>	<b>1 628</b>	<b>(291 786)</b>	<b>737 321</b>	<b>(3 211)</b>
Hereof						
<b>(Overpaid) - see Note 18 for details</b>	<b>(133 188)</b>					<b>(54 608)</b>
<b>Payables</b>	<b>47 696</b>					<b>51 397</b>

\* In 2014 the Company has used the 100% exemption from natural resource tax as it is involved in voluntary program of packaging waste management. In the reporting year the Company has used discounts for corporate income tax on acquisition of new technological equipment.

\*\* The Company with subsidiaries forms a VAT group. The Company makes payments to the state budget for the whole VAT group. In the financial statements the movement of VAT liabilities reflects the Company's settlements for VAT group. Net transferred tax amount of EUR 737 321 corresponds to the tax liability net movement between the Company and other members of the VAT group.

**(28) Other liabilities**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>EUR</b>	<b>EUR</b>
VAT from advances	76 418	176 830
Salaries	62 260	58 238
Payments to other companies	30 662	33 505
Other liabilities	2 501	1 044
	<u><b>171 841</b></u>	<u><b>269 617</b></u>

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(29) Deferred income	31.12.2014.	31.12.2013.
	EUR	EUR
<b>Non-current</b>		
Received grants for the acquisition of non-current assets	572 688	527 971
	<u>572 688</u>	<u>527 971</u>
<b>Current</b>		
Received grants for the acquisition of non-current assets	37 742	23 998
	<u>37 742</u>	<u>23 998</u>

In 2011 the Company entered into an agreement with Latvian Investment and Development Agency (LIAA) for participation in the project "The development of new products and technologies - support to introduction of new products and technologies in production". Financing was used to purchase new technological equipment. In 2012 the Company has received the funding in amount of EUR 599 967.

In November 2012 the Company signed a contract with LIAA for EU co-financed project "High value-added investments" for a total estimated LIAA financing of EUR 1 405 817. After putting into operation part of fixed assets and confirmation of the eligible costs, the support financing of EUR 96 203 was received in 2014 from LIAA. The remaining co-financing will be recognized in the financial statements at the time of approval of the whole project.

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

(30) Accrued liabilities	31.12.2014.	31.12.2013.
	EUR	EUR
Accrued liabilities to subsidiaries*	905 387	2 751 993
Accrued liabilities to other suppliers	69 551	120 243
Accrued unused annual leave	72 266	63 726
	<u>1 047 204</u>	<u>2 935 962</u>

\* The Company and its subsidiaries use the unified policy of revenue recognition for repair services (see Note (2) to the accounting policies). The Company's accrued liabilities recognized at the end of reporting year of EUR 905 387 (31.12.2013 - EUR 2 751 993) is equal to the accrued income for work-in-progress, which are recognized in financial statements of all subsidiaries.

(31) Fees paid to auditors	2014	2013
	EUR	EUR
For the audit of financial statements	9 501	9 501
	<u>9 501</u>	<u>9 501</u>

(32) Average number of employees	2014	2013
Average number of people employed during the financial year	<u>134</u>	<u>126</u>

(33) Remuneration to personnel	2014	2013
	EUR	EUR
Employee pay	1 042 553	1 050 176
Social insurance payments	243 561	250 480
Other expenses	62 990	145 602
	<u>1 349 104</u>	<u>1 446 258</u>

(34) Remuneration to the management		
Board members		
· salary expenses	78 340	138 165
· other social insurance expenses	18 480	33 284
	<u>96 820</u>	<u>171 449</u>

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**(35) Transactions with related parties**

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

The Company in cooperation with AS "Rīgas Vagonbūves Rūpnīca" and AS "VRC Zaslauks" founded the general partnership "DMU vilcieni", in which the Company owns 50% of the voting rights – classified as „Associates”.

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

**a) claims and liabilities**

Notes	31.12.2014.		31.12.2013.	
	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies (17), (26)	217 405	691 051	3 114 065	304 469
Associates c)	1 739 005	1 457 731	-	-
Other related companies (25)	668 317	4 984 528	57 591	1 736 979
	<u>2 624 727</u>	<u>7 133 310</u>	<u>3 171 656</u>	<u>2 041 448</u>

**b) transactions**

Notes	Sales / Return to related parties		Purchases from related parties	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
<b>Group companies</b>				
Repair services of railway rolling stock a)	-	-	16 395 868	21 311 319
Sales/purchases of materials	5 846 934	9 343 581	1 671 836	1 586 526
Rent of premises and equipment 1 a)	1 799 014	1 799 014	22 802	22 802
Administrative and management services b)	274 416	274 354	-	-
Other transactions	371 291	430 190	384 662	453 767
<b>Total - Group companies:</b>	<u>8 291 655</u>	<u>11 847 139</u>	<u>18 475 168</u>	<u>23 374 414</u>
<b>Other related parties</b>				
Repair services of railway rolling stock	8 938 228	9 371 584	-	-
Sales/purchases of materials	285 714	178 198	3 302 824	6 050 257
Other transactions	456 201	2 567 574	281 304	407 812
<b>Total - Other related parties:</b>	<u>9 680 143</u>	<u>12 117 356</u>	<u>3 584 128</u>	<u>6 458 069</u>
	<u>17 971 798</u>	<u>23 964 495</u>	<u>22 059 296</u>	<u>29 832 483</u>

a) Starting from 2007 the Company provides repair of the railway rolling stock by subcontracting its subsidiaries. The largest subsidiaries, providing the Company with railway rolling stock repair services, are SIA Rel, SIA Elap, SIA Remdiz, SIA Elektromaš, SIA Ritrem un SIA Krāsotājs. Each of these mentioned companies carry out the separate part of mentioned services according to every subsidiary's activity (see Note (12)). Respectively, SIA Remenergo, SIA SPZČ, SIA Instruments, SIA Metalurgs and SIA Loģistika mainly provide assistance functions in railway rolling stock repair works. These services are provided to other subsidiaries, as well as to the Company. Transaction amount disclosed in this Note does not include accrued liabilities for work-in-progress. See also Note 12 related to changes in Group structure in 2015.

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

c) During the reporting year, the Company has started the preparational activities and is not entered in transactions with Partnership, except for receiving advances for modernization services of diesel wagons and paying advances for delivery of spare parts.

**(36) Financial risk management**

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

*Foreign currency risks*

The Company acts internationally and is exposed to foreign currency exchange rate fluctuation risk arising from the currency fluctuations of US Dollar (USD) and Russian ruble (RUB) to euro and against other currencies fixed to euro. The risk of foreign currency comes from future commercial transactions, recognized assets and liabilities. The majority of raw materials are purchased by the Company in euro, RUB and US dollars, but the significant part of the production is sold in the domestic market and exported to the markets where euro and RUB dominate. To minimize the RUB exchange risks, the Company enters into contracts for repair with 100% prepayment base value, as well as the Company enters into SPOT agreements with Swedbank.

The companies foreign exchange open position is:

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
Financial assets, USD	190 676	650 357
Financial liabilities, USD	<u>(924 357)</u>	<u>(1 623 458)</u>
Open position USD, net	<u>(733 681)</u>	<u>(973 101)</u>
<b>Open position USD, calculated in euro, net</b>	<b><u>(604 300)</u></b>	<b><u>(713 068)</u></b>
Financial assets, RUB	22 576 376	35 835 842
Financial liabilities, RUB	<u>(28 730 853)</u>	<u>(72 108 110)</u>
Open position RUB, net	<u>(6 154 477)</u>	<u>(36 272 268)</u>
<b>Open position RUB, calculated in euro, net</b>	<b><u>(85 081)</u></b>	<b><u>(800 278)</u></b>

*Interest rate risks*

The Company is exposed to interest rate risk as the most liabilities are interest-bearing with the floating interest rate (see Note (24)), while the main part of the Company's financial assets are interest-free receivables, therefore the Company is exposed to floating interest rate risk. During the reporting year the amount of interest-bearing liabilities have increased.

*Credit risk*

The Company is subject to the credit risk with respect to the debts of its buyers and customers, related parties receivables, other receivables and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts. See also Note (17) on provisions for outstanding debts of subsidiaries.

*Liquidity risk*

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

**(37) Subsequent events**

To increase the economic efficiency of the activities of the Company, the reorganization of the functions of subsidiaries, production processes optimization and decrease of operational costs were carried out at the beginning of 2015. Detailed information is provided in Note 12.

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Natālija Petrova  
Member of the Board

Daugavpils, 29 April 2015

The annual report has been approved by the general meeting of members 29 April 2015.

***INDEPENDENT AUDITOR'S REPORT***

***to the Shareholders of Daugavpils Lokomotīvu Remonta Rūpnīca AS***

**Report on the Financial Statements**

We have audited the accompanying financial statements of Daugavpils Lokomotīvu Remonta Rūpnīca AS (the Company) set out on pages 6 to 28 of the annual report. These financial statements comprise the balance sheet as at 31 December 2014, and the income statement, statement of cash flow and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's responsibility*

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

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

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

*Opinion*

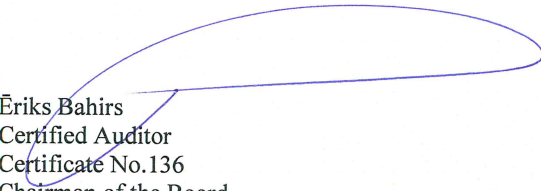
In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia On Annual Reports.



## Report on Other Legal and Regulatory Requirements

We have read the management report for 2014 as set on page 4 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements.

Baker Tilly Baltics SIA  
Licence No. 80

A handwritten signature in blue ink, consisting of a large, loopy oval shape with a tail that loops back to the start, positioned above the printed name.  
Ēriks Bahirs  
Certified Auditor  
Certificate No.136  
Chairman of the Board

Riga, 29 April 2015

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