



## FINANCIAL STATEMENTS

Independent Auditors' Report  
and Condensed International  
Financial Statements  
For the Years Ended 31 December  
2001 and 2000

Independent auditors' report – **36**

Condensed Balance Sheets – **37**

Condensed Statements of Profit and Loss – **38**

Condensed Statements of Shareholders' Equity – **38**

Condensed Statements of Cash Flows – **39**

## INDEPENDENT AUDITORS' REPORT



To the Board of *Latvijas Dzelzceļš*:

We have audited the accompanying condensed balance sheets of State Joint-Stock Company *Latvijas Dzelzceļš (the Company)* as of 31 December 2001 and 2000, and the related condensed statements of profit and loss, shareholder's equity and cash flows for the years then ended. These condensed financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Our report dated 31 May 2002 expressed an unqualified opinion on these statements.

In our opinion, the information set forth in the accompanying condensed balance sheets as of 31 December 2001 and 2000, and the related condensed statements of profit and loss, cash flows and shareholder's equity for the years then ended is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

A stylized, handwritten signature of the Deloitte &amp; Touche firm in blue ink.

Deloitte & Touche  
Riga, Latvia  
31 May 2002

Condensed

BALANCE SHEETS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	2001 LVL'000	2000 LVL'000
<b>ASSETS</b>		
<b>Short-term:</b>		
Cash	1,906	539
Inventories	9,028	6,700
Accounts receivable, net	2,456	1,907
Other assets	4,717	4,755
	<b>18,107</b>	<b>13,901</b>
<b>Long-term:</b>		
Investment in subsidiary	9	–
Other equity investments, net	820	820
Intangible assets, net	76	64
Tangible fixed assets, net	140,644	128,923
	<b>141,549</b>	<b>129,807</b>
<b>TOTAL ASSETS</b>	<b>159,656</b>	<b>143,708</b>
<b>LIABILITIES</b>		
<b>Short-term:</b>		
Accounts and notes payable	24,394	15,904
Short term part of financial lease	998	763
Taxes payable	3,885	4,245
Other current liabilities	17,092	16,392
Accounts payable to subsidiary	138	–
Vacation reserve	82	–
	<b>46,589</b>	<b>37,304</b>
<b>Long-term:</b>		
Loans payable	19,383	13,063
Long term part of financial lease	908	1,906
Promissory notes	–	–
581		
Deferred tax	4,483	3,498
Other long term liabilities	87	30
	<b>24,861</b>	<b>19,078</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	82,090	82,399
Reserves	4,379	1,180
Retained earnings	1,737	3,747
<b>Total shareholders' equity</b>	<b>88,206</b>	<b>87,326</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>159,656</b>	<b>143,708</b>

Condensed

STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	2001 LVL'000	2000 LVL'000
Operating income	102,870	98,543
Operating expenses	(76,641)	(73,512)
<b>GROSS PROFIT</b>	<b>26,229</b>	<b>25,031</b>
Depreciation	(10,279)	(10,478)
General and administrative expenses	(12,492)	(11,539)
(Provisions) recoveries	(235)	477
<b>NET OPERATING PROFIT</b>	<b>3,223</b>	<b>3,491</b>
<b>Non-operating items:</b>		
Financial income	11	17
Financial expense	(1,957)	(985)
Loss from equity investment	(16)	-
Other non-operating income	4,604	4,966
Other non-operating expense	(3,820)	(4,852)
Expense of maintaining social infrastructure, net	(92)	(144)
Grant income	506	595
<b>Total non-operating expenses, net</b>	<b>(764)</b>	<b>(403)</b>
<b>NET PROFIT BEFORE TAXATION</b>	<b>2,459</b>	<b>3,088</b>
Taxation	(985)	(502)
<b>NET PROFIT</b>	<b>1,474</b>	<b>2,586</b>

Condensed

STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	Share Capital LVL'000	Reserves LVL'000	Retained Earnings LVL'000	Total LVL'000
<b>At 31 December 1999</b>	<b>86,739</b>	<b>(2,930)</b>	<b>1,161</b>	<b>84,970</b>
Current year profit	-	-	2,586	2,586
Property transferred to government	(312)	82	-	(230)
Allocation to reserves	(4,028)	4,028	-	-
<b>At 31 December 2000</b>	<b>82,399</b>	<b>1,180</b>	<b>3,747</b>	<b>87,326</b>
Current year profit	-	-	1,474	1,474
Appropriation of profit to the State Budget	-	-	(522)	(522)
Property transferred to government	(309)	309	-	-
Property transferred to government	-	(72)	-	(72)
Allocation to reserves	-	2,962	(2,962)	-
<b>At 31 December 2001</b>	<b>82,090</b>	<b>4,379</b>	<b>1,737</b>	<b>88,206</b>

Condensed

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

	2001 LVL'000	2000 LVL'000
<b>OPERATING ACTIVITIES</b>		
<b>Net profit</b>	1,474	2,586
<b>Adjustments for:</b>		
Depreciation	10,459	10,478
Provisions (recovered provisions)	235	(477)
Deferred tax	985	502
Grant income	(506)	(595)
Gain on sale of fixed assets	(2,374)	(949)
Revaluation of equity investments	16	-
Appropriation of profit to the State Budget	(522)	-
Vacation reserve	82	-
Accrued interest expense	260	310
<b>Changes in operating assets and liabilities</b>		
Inventories	(2,328)	18
Accounts receivable	(784)	(43)
Other assets	35	1,912
Accounts payable	2,276	(91)
Taxes payable	(360)	224
Other liabilities	(265)	637
<b>Net cash provided by operating activities</b>	<b>8,683</b>	<b>14,512</b>
<b>INVESTMENT ACTIVITIES</b>		
Dividends received	3	1
Investments in subsidiary	(25)	(4)
Purchase of intangible assets	(12)	(45)
Proceeds from disposal of fixed assets	4,378	2,412
Purchase of tangible fixed assets	(20,750)	(24,423)
<b>Net cash used in investing activities</b>	<b>(16,406)</b>	<b>(22,059)</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds (borrowings) under lines of credit	342	(419)
Proceeds from loans received	12,535	8,073
Grants received	1,666	1,596
Repayment of loans	(3,204)	(88)
Repayment of promissory notes	(581)	(545)
Repayment of financial lease	(763)	(737)
Interest paid	(905)	(286)
<b>Net cash provided by financing activities</b>	<b>9,090</b>	<b>7,594</b>
<b>Net increase in cash</b>	<b>1,367</b>	<b>47</b>
<b>Cash at beginning of the year</b>	<b>539</b>	<b>492</b>
<b>CASH AT END OF THE YEAR</b>	<b>1,906</b>	<b>539</b>