

**JOINT STOCK COMPANY**

**“KURZEMES ATSLEGA 1”**

**LV40003044007**

**ANNUAL REPORT**

**2011**

**(NON-AUDITED)**

FOR THE PERIOD  
01.01.2011-31.12.2011

**Aizpute**  
**2012**

**Table on Contents**

<b>1. Information on enterprise</b>	<b>3</b>
<b>2.Report of Direction.</b>	<b>4</b>
<b>2.1.Statement of responsibility of direction</b>	<b>6</b>
<b>2.2.Profit and loss account</b>	<b>7</b>
<b>2.3.Financial statements</b>	<b>8</b>
<b>2.4.Cash flow statement</b>	<b>10</b>
<b>2.5.Statement of changes in equity</b>	<b>12</b>
<b>2.6. Appendices to the Financial statements</b>	<b>13</b>

**1.Information on enterprise.**

State registration Nr. and date	000304400 February 1996. Dropped from Register of Companies 2004.11.06. "KURZEMES ATSLEGA 1" JSC, had been enrolled in Commercial Register June 1, 2004 with identification number Nr. 40003044007
Registration number of VAT	LV 40003044007, January 22, 1997
The name of enterprise and address	Joint stock company "KURZEMES ATSLEGA 1" Kalvenes street 27, Aizpute LV 3456, Latvia
Financial period	January 1, 2011– December 31, 2011
Members of Supervisory Council ( from May 10.2010 resolution nr6-12/58076)	<b>Guntars Stekjanis</b> – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; <b>Modris Moisejs-Member of Supervisory Council,</b> "Kurzemes Atslega 1" JSC, Manager of the Electroplating Shop, Technologic-Mehanic <b>Janis Valkašs</b> - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic <b>Valdis Biķis</b> – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanik <b>Irena Burve - Member of Supervisory Council,</b> "Kurzemes Atslega 1", JSC, Chief Accountant
Members of Board (from May 14,2009	<b>Andris Taurins</b> – Member of Board, "Kurzemes Atslega 1", JSC, chief engineer, Technologic – Mechanic <b>Aldis Ozols</b> , Member of Board, "Kurzemes Atslega 1" JSC, production manager, Technologic – Mechanic
Chairman of Board from May 14, 2009( resolution nr 6-12/68528)	<b>Peteris Fridenbergs</b>
Auditor	<b>Aivars Rutkis</b> Certificante No 18

## 2. Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools, services of galvanization provided etc. are still being produced.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 1584837 LVL, profit 11,6 thousand LVL, revenue per share 0,013 LVL.

Net turnover in 2011 is up by 22.3% in comparison with 2010.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 64.4%,
- export – 35.6 %

Average number of employees was 107, average salary 293 LVL in 2011.

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Average number of employees was 102, average salary 287 LVL in 2010.

In comparison with corresponding period of previous period, average salary is up by 2.1%.

The Company has no tax and other arrears due to state and municipal budget.

Financial activity of the Company has provided mainly with its own assets, is linked to the line of credit in amount of 70000 EUR.

### **Significant events after the accounting period.**

During the period after accounting report till it's signing no significant events has occurred, what could influence the financial situation fixed in financial report of the enterprise.

### **Financial risk management**

To ensure financial risk management JSC “KURZEMES ATSLEGA 1” follows-up the liquidity, regularly controls the cash flow of the enterprise. Active work with collection of fiscal debts is being provided. Financial resources – credit is being attracted.

**JSC “KURZEMES ATSLEGA 1” policy for 2012**

1. To work on expanding the assortment of production, paying more attention to special orders and production of different metal parts in small batches.
2. To look for possibilities to attract EU funds for enterprise modernization.
3. To increase the wages by 4%.

The Board suggests to shift the profit for a further development of the Company.

The Board of AS “KURZEMES ATSLEGA 1”:

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Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Andris Tauriņš
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Member of the Board	Aldis Ozols
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February 29, 2012

**Aizpute**

**Statement of responsibility of direction.**

Non-audited report of 2011 and a report of board are prepared being guided by the kindest conscience and good accounting practice. The accounting period is estimated being based on all information known to us at the moment of preparation of the financial report. Financial report gives a real and clear idea about assets, liabilities, financial situation and profits/losses.

Responsibility for non-audited annual report of year 2011 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

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Chairman of the Board	Peteris Fridenberg
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Member of the Board	Andris Tauriņš
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Member of the Board	Aldis Ozols
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## 2.2.PROFIT AND LOSS ACCOUNT

December 31, 2011

Item	note	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010
	Nr.	LVL	EUR	LVL	EUR
Net sales	1	1584834	2255016	1296107	1844194
Cost of sales	2	1434571	2041211	1163101	1654944
Gross profit		150263	213805	133006	189250
Distribution expenses	3	45397	64594	51003	72571
Administration expenses	4	112130	159547	109144	155298
Other operating income	5	48241	68641	41097	58476
Other operating expenses	6	32513	46262	22643	32218
Operating profit		<b>8464</b>	<b>12043</b>	<b>-8687</b>	<b>-12360</b>
Income from other interest and similar incomes		4	6	41	58
Interest paid and similar expense	7	1678	2388	1870	2661
Profit before tax		<b>6790</b>	<b>9661</b>	<b>-10516</b>	<b>-14963</b>
Deferred tax income		9781	13917	-5438	-7738
Other taxes		-4928	-7012	-4950	-7043
Net profit for the year		<b>11643</b>	<b>16566</b>	<b>-20904</b>	<b>-29744</b>

The accompanying notes on pages 17.-19. are an integral part of these financial statements

Profit per share 31.12.2011. 0.013 LVL , 0.018 EUR

Loss per stock 31.12.2010. 0.02LVL , 0.03EUR

The Board of AS "KURZEMES ATSLEGA 1":

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Chairman of the Board      Peteris Fridenbergs

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Member of the Board      Andris Tauriņš

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Member of the Board      Aldis Ozols

**2.1.BALANCE SHEET**

ASSETS 1	Appendices	31.12.2011. LVL	31.12.2011. EUR	31.12.2010 LVL	31.12.2010 EUR
<b>1.LONG TERM INVESTMENT</b>					
<b>1.Development expenses</b>		20000	28457	30000	42686
<b>2..Concesions, patents, licenses</b>		652	928	1308	1861
<b>Total</b>	<b>1</b>	<b>20652</b>	<b>29385</b>	<b>31308</b>	<b>44547</b>
<b>I. Intangible fixed assets</b>					
<b>II. Fixed assets</b>					
1. Land, building.	4	384660	547322	394581	561438
2.Equipment and machinery		116834	166240	140612	200073
3.Other fixed assets		27923	39731	36017	51248
4.Fixed assets development costs		33369	47480	28478	40521
5.Prepayment for fixed assets					
<b>II Total fixed assets</b>	<b>3</b>	<b>562786</b>	<b>800773</b>	<b>599688</b>	<b>853279</b>
<b>1.Total LONG TERM INVESTMENT</b>		<b>583438</b>	<b>830158</b>	<b>630996</b>	<b>897826</b>
<b>2.CURRENT ASSETS</b>					
<b>1.Inventories</b>					
1.Raw materials		311309	442953	291645	414973
2.Work in progress		178398	253837	153152	217916
3.Finished goods and goods for sale		104360	148492	107202	152535
5.Advance payment for goods	5	48945	69642	18379	26151
<b>I. Total inventories</b>		<b>643012</b>	<b>914924</b>	<b>570378</b>	<b>811575</b>
<b>II. Debtors</b>					
1.Trade debtors	6	127254	181066	121463	172826
4.Other debtors	7	7004	9966	7167	10198
7.Deferred expenses	8	209	297	194	276
<b>II. Total debtors</b>		<b>134467</b>	<b>191329</b>	<b>128824</b>	<b>183300</b>
<b>III. Securities and capital participation</b>					
<b>IV . Cash</b>	<b>9</b>	<b>25458</b>	<b>36223</b>	<b>34978</b>	<b>49769</b>
<b>2.Total current assets</b>		<b>802937</b>	<b>1142476</b>	<b>734180</b>	<b>1044644</b>
<b>Total assets</b>		<b>1386375</b>	<b>1972634</b>	<b>1365176</b>	<b>1942470</b>



LIABILITIES 1	Appendices	31.12.2011. LVL	31.12.2011. EUR	31.12.10. LVL	31.12.10 EUR
<b>1.CAPITAL</b>					
1.Share capital	10	918144	1306401	918144	1306401
3.Revaluation reserve	11	15597	22193	15597	22193
5.Retained profit					
a) previous years retained profit		208542	296729	229446	326472
current year profit		11643	16566	-20904	-29744
1Total Capital and reserves		<b>1153926</b>	<b>1641889</b>	<b>1142283</b>	<b>1625322</b>
<b>2.PROVISIONS</b>	12	23817	33889	19246	27385
Total PROVISIONS		23817	33889	19246	27385
<b>3.CREDITORS</b>					
<b>1.Long term creditors</b>					
Deferred tax	13	50497	71851	60278	85768
1.Total long term creditors		<b>50497</b>	<b>71851</b>	<b>60278</b>	<b>85768</b>
<b>2.Short-term creditors</b>					
3. Other loans	14	0	0	9173	13052
4..Bank loan	15	8103	11530	28180	40097
5.Advances received from customers		10014	14248	2803	3988
6.Trade creditors		81657	116187	35708	50808
8.Amounts payable to associated companies	16	13921	19808	17534	24949
10.Taxes and social security payments	17	17333	24663	17970	25569
11.Other creditors	18	19044	27097	19784	28150
Deferred income	19	0	0	3727	5303
Accrued liabilities	20	8063	11473	8490	12080
2. Total short-term creditors		<b>158135</b>	<b>225006</b>	<b>143369</b>	<b>203996</b>
Total creditors		<b>208632</b>	<b>296857</b>	<b>203647</b>	<b>289764</b>
Total liabilities		<b>1386375</b>	<b>1972634</b>	<b>1365176</b>	<b>1942470</b>

31.12.2011,31.12.2010 1EUR=0.702804 LVL

The accompanying notes on pages 12.-31.are an integral part of these financial statements

## 2.3.Cash flow statement December 31, 2011

(Cash flow statement, prepared using indirect method)

Indices	Appe ndice s	31.12.11.	31.12.11.	31.12.10.	31.12.10
		LVL	EUR	LVL	EUR
2	1.			3.	4
<b>I. Operation activities</b>					
I.					
1. Profit or loss before extraordinary items and taxes.		6790	9661	-10516	-14963
Corrections:					
a) Wear and tear of fixed assets;		55261	78629	57204	81394
b) Value cancellation if long-term investments;		10656	15162	10649	15152
c) Formation of reserves (except the reserves for unreliable debt);		4571	6505	-2696	-3836
d) Profit or loss from fluctuation of foreign currency exchange rate;		-4306	-6127	-5458	-7766
e) Interest received		-4	-6	-41	-58
f) Proceeds from partnership in capital of subsidiary company and associated enterprises		1678	2388	1870	2661
g) Proceeds from no securities and loans, that have been made long-term investment		0	0	0	0
h) The rest of incomes and similar incomes					
i) Long-term financial investment and cancellation of value short-term securities					
j) Interest payments and similar expenses		0	0	0	0
k) income from sale of fixed assets		0	0	0	0
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		74648	10612	1870	2661
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		-5643	-8029	-16437	-23388
b) Increase or decrease of residues of resources;		-72634	-103349	-25528	-36323
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		44016	62629	16110	22922
3. The gross cash flow of basic activity.		40385	57463	25157	35795
4. Expenses for interests payments.		-1678	-2388	-1870	-2661
5. Expenses for payments of enterprise income tax		-4928	-7012	-4950	-7043
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		33779	48063	23795	33857
8. Cash flow from extraordinary items.					
<b>8. The net cash flow of basic activity</b>		<b>33779</b>	<b>48063</b>	<b>23795</b>	<b>33857</b>

1.	2.			3	4
0	0				0
<b>II. Investing activities</b>					
1. Purchase of shares or parts of related or associated enterprises.		-18059	-25696	-23921	-34037
3. Purchase of fixed assets and nonmaterial investments					
3. Interest received		4	6	41	58
4 income from sale of fixed assets				0	0
<b>9. Net cash flow used in investing activities</b>		<b>-18055</b>	<b>-25690</b>	<b>-23880</b>	<b>-33978</b>
<b>III. Financing activities</b>					
1.	2.			3	4
2. Loans received				13652	19425
3. Financial aids, pump-priming, presents or donations received				0	0
4. Expenses for repayment of loans		-29550	-42046	0	0
6. Dividends paid				0	0
7. Changes of reserves				0	0
<b>7. Net cash flow of financing activity</b>					
		-29550	-42046	13652	19425
<b>IV. The result of exchange rate fluctuations of foreign currency.</b>		4306	6127	5458	7766
<b>V. The net cash flow of year of account</b>		<b>-9520</b>	<b>-13546</b>	<b>13567</b>	<b>19304</b>
<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>		34978	49769	21411	30465
<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>		25458	36223	34978	49769

**2.5 STATEMENT OF CHANGES IN EQUITY****Year 2011****(LVL)**

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
<b>AS of 31 December 2009 LVL</b>	918144	15597		229446	1163187
Current year loss	0	0	-20904	0	-20904
<b>As of 31 December 2010 LVL</b>	918144	15597	-20904	229446	1142283
Correction for deferred tax	0	0	0	0	0
Year 2010 of account loss	0	0	20904	-20904	0
Current year profit	0	0	11643		11643
<b>As of 31.december 2011 LVL</b>	918144	15597	11643	208542	1153926

**(EUR)**

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
<b>AS of 31 December 2009LVL</b>	1306401	22193		326472	1655066
Current year loss	0	0	-29744	0	-29744
<b>As of 31 December 2010 LVL</b>	1306401	22193	-29744	326472	1625322
Correction for deferred tax	0	0	0	0	0
Year 2010 of account loss	0	0	29744	-29744	0
	0	0	16566	0	16566
<b>As of 31.december 2011 LVL</b>	1306401	22193	16566	296728	1641888

## 2.5. Appendices to the Financial statements 2011-2010

### Accounting policy

#### I. General principles

1. The financial report has been prepared according to law "On the Annual Accounts of Undertaking", other normative documents.
2. Profit or loss account has been prepared according to scheme of vertical outline and classification by method of turnover costs.
3. Cash flow statement has been prepared according to indirect method.
4. In comparison to the previous reporting year the applied accounting and appreciation methods are not changed.
5. Accounting in the company is done in Latvian lats. All dealings in foreign currencies are converted into Latvian lats, using the currency rates officially determined by the Bank of Latvia at the day of corresponding deal.  
All foreign cash means at the end of the report period are evaluated accordingly the exchange rate of the Latvian bank on the last day of the report period.

	31.12.2011.	31.12.2010
USD	0.544	0.535
EUR	0.702804	0.702804
LTL	0.204	0.203

#### II. Earning recognition and net turnover

5. Net turnover is the total value of finished production and goods for sale as well as services provided without discounts and VAT during the year.
6. Other earnings are recognized at the moment of their origin or at the moment when legal rights on such earnings arise.
- 6.1. Other interest receivable and similar income is income that is not directly from the economic activity.
7. Financing from funds ERAF for realization of the scheme of grants "Support of contributions in development of the enterprises in especially supported territories" of the project "Introduction of innovative technology of spot welding of the galvanized details". is transferred to incomes during amortization.

### III. Fixed assets

8. All fixed assets originally estimated at the purchase value, excluding depreciation

9. Depreciation are calculated linear, accordingly confirmed parameters, using the following rates determined by administration:

	(% year)
Building, construction	2
Transmission equipment	5
Non industrial buildings	2
Technological equipment	10
The power equipment	14.3
Computers	20
Transport	14.3
Instrument	20
Inventory	10

### IV. Debts of debtors

10. The debts of debtors in the balance presented in net value, deducting special reserve for debts of doubtful and hopeless debtors from the initial cost. Special reserves for debts of doubtful and hopeless debtors are made, when the administration suggests that the retrieval of these specially marked debts of debtors is doubtful

### V. Financial leasing

11. Such fixed assets as vehicles and technological equipment that have been purchased on financial lease involving the take-over of the related risks, have been booked according to their non-lease sales price. Lease interest and similar payments have been included in the profit or loss account of the year they have come into existence.

### VI Inventory.

12. All values of raw are evaluated accordingly their purchasing prices. Production in progress is evaluated accordingly the standard production costs. The finished goods are evaluated accordingly standard production costs. For calculation of stock value the average weight method is used ( FIFO method.) The valuation of inventories in financial accountancy is being done using continuous inventory method

## VII Provisions

16.Provisions for the liabilities have been made to cover the expenses of non-used holidays. These provisions for such liabilities have been represented according to their estimated value - as provisions for they are prospective by nature and they refer to the reporting year as well as to the previous years while the date of payment of such liabilities is not known at the time of reporting

### General notices.(LVL)

	2011.LVL	2011.EUR	2010 LVL	2010 EUR
<b>The average annual number of employees</b>	107		102	
<b>Personnel expenses Total</b>	466088	663183	434145	617732
- wages	376860	536223	350677	498968
social insurance	89228	126960	83468	118764
- inter alia				
<b>Production personnel</b>				
- wages	279246	397332	258113	367262
social insurance	66009	93922	61575	87613
Total	345255	491254	319688	454875
The personnel of administration				
- wages	84416	120113	80686	114806
social insurance	20072	28560	19068	27131
Total	104488	148673	99754	141937
i.a. Compensation of board				
- compensation	8068	11480	8078	11494
- social insurance	1943	2765	2673	3803
Total	10011	14245	10751	15297
Compensation of Supervisory Council				
- compensation	6240	8879	5939	8450
- social insurance	1371	1951	1725	2454
Total	7611	10830	7664	10904
The personnel of sales				
- compensation	9840	14001	8902	12666
- social insurance	2338	327	2108	2999
Total	12178	17328	11010	15665
The personal for social sphere				
- compensation	3358	4778	2976	4234
- social insurance	809	1151	717	1020
Total	4167	5929	3693	5254

**Appendices for profit and loss account****1.Net sales**

<b>Modus operandi</b>	31.12.2011 LVL	31.12.2011 EUR	31.12.2010. LVL	31.12.2010. EUR
Incomings from production of locks and ironmongery	1541304	2193078	1265743	1800990
Incomings from rendering of services	43530	61938	30364	43204
Total:	1584834	2255016	1296107	1844194

**The distribution of net sales by countries**

		<i>sales proceeds</i>		<i>sales proceeds</i>	
		2011.g.(Thousand LVL)	2010.g. (Thousand LVL)	2011.g.(Thousand EUR)	2010.g(Thousand EUR)
1	Latvia	1020.4	782.6	1452	1113.5
2	Lithuania	278.7	277.2	396	394.4
3	Estonia	74.9	81.9	106	116.5
4	Uzbekistan	102	64.9	145	92.3
5	Ukraine	8.2	30.7	12	43.7
6	Russia	27.1	21.6	39	30.7
7	Beliza	60.1	24.8	86	35.2
8	Germany	10.8	11.4	15	16.2
9	Finland	2.6	1.0	4	1.4
	Total:	1584.8	1296.1	2255	1844.2



## 2. Production costs of sales.

<b>The main elements of expenses</b>	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Material costs	861811	1226247	655633	947111
Wages	276192	392986	258113	367262
Obligatory payments of the state social insurance	66009	93922	61575	87613
Electrical energy	66856	95128	62024	88252
Costs of depreciation of fixed	65917	93791	67853	96546
The rest of expenses	148093	210717	87911	125086
<b>Expenses in total</b>	<b>1484878</b>	<b>2112791</b>	<b>1203109</b>	<b>1711870</b>
Correction of expenses				
Changes of remains of unfinished production	-25247	-35923	-1412	-2009
Changes of remains of self-made punches, molds and materials	-14996	-21337	-26308	-37433
Changes of remains of complete product	3218	4579	-11010	-15666
Changes of remains self-made fixed assets	-13341	-18983	-1278	-1818
<b>Total</b>	<b>1434512</b>	<b>2041127</b>	<b>1163101</b>	<b>1654944</b>

## 3. Distribution expenses

<b>The main elements of expenses</b>	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Wages	9840	14001	8902	12666
Social expenses	2338	3326	2108	2999
The rest of expenses	806	1147	7790	11085
Marketing Services	32413	46120	32203	45821
<b>Total</b>	<b>45397</b>	<b>64594</b>	<b>51003</b>	<b>72571</b>

## 4. Administration expenses.

<b>The main elements of expenses</b>	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Wages	84416	120113	80686	114806
Social expenses	20072	28560	19068	27131
The rest of expenses	6642	9451	8390	11938
Provisions	1000	1423	1000	1423
<b>Total</b>	<b>112130</b>	<b>159547</b>	<b>109144</b>	<b>155298</b>

## 5. The rest of incomes for economic activity

<b>Sort of revenue</b>	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Sales of current assets	34756	49453	14380	20462
Incomes from exchange rate fluctuations	4306	6127	5456	7763
The rest of incomes	3726	5302	6778	9644
Others income	5453	7759	14483	20607
<b>Total</b>	<b>48241</b>	<b>68641</b>	<b>41097</b>	<b>58476</b>

## 6. The rest of expenses for economic activity of enterprise.

	31.12.2011 LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Expenses for social sphere	4167	5929	3693	5254
Expenses, unrelated with economic activity, donations	535	761	957	1362
Revaluation reserve				
harm recompense	12215	17380	13257	18863
Other expenses	15595	22190	4736	6739
<b>Total</b>	<b>32512</b>	<b>46260</b>	<b>22643</b>	<b>32218</b>

## 7. Interest, interest cover

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010. LVL	31.12.2010. EUR
interest	1678	2387	1383	1968
interest cover	94	134	487	693
<b>Total</b>	<b>1772</b>	<b>2521</b>	<b>1870</b>	<b>2661</b>

## Appendices to balance sheet..

### 1. Intangible fixed assets. ( LVL)

	Intangible fixed assets LVL	Development expenses LVL	Total
Purchases prices 31.12.2010	3956	50000	53956
Liquidation			
31.12.2011	3956	50000	53956
Deprecations.	2648	20000	22648
Purchase calculated	656	10000	10656
Deprecations. 31.12.2011	3304	30000	33304
Balance cost 31.12.2010	1308	30000	31308
balance cost 31.12.2011	652	20000	20652

### Intangible fixed assets. ( EUR)

	Intangible fixed assets EUR	.Development expenses EUR	Total
Purchases prices 31.12.2010	5629	71143	76772
Liquidation	0	0	0
31.12.2011	5629	71143	76772
Deprecations. 31.12.2010	3767	28458	32225
calculated	933	14229	15162
Deprecations. 31.12.2011	4700	42687	47387
Balance cost 31.12.2010	1861	42686	44547
balance cost 31.12.2011	928	28457	29385

## 2. Fixed asset liquidation

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Fixed asset acquisition value	40978	58306	0	0
Accumulated depreciation	40765	58003	0	0
Loss from liquidation of fixed assets	213	303	0	0

## 3. Fixed assets (LVL)

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2010.LVL	673963	783555	127050	28478	0	1613046
to put into operation	0	7921	5546	4891	0	18358
Shift	0	40565	414	0	0	40979
Purchase prices 31.12.2011.	673963	750911	132182	33369		1590425
Deprecation 31.12.2010.	279382	642942	91033	0	0	1013357
Calculated	9921	31700	13640	0	0	55261
exclude	0	40565	414		0	40979
correction	0	0	0	0	0	0
Depreciation 31.12.2011.	289303	634077	104259	0	0	1027639
Balance sheet value 31.12.2010	394581	140612	36017	28478	0	599688
Balance sheet value 31.12.2011.	384660	116834	27923	33369	0	562786

**Fixed assets (EUR)**

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2010.	958963	1114898	180776	40521	0	2295158
to put into operation		11271	7891	6959	0	26121
Shift	0	57719	589	0	0	58308
Purchase prices 31.12.2011.	958963	1068450	188078	47480	0	2262970
Deprecation 31.12.2010	397525	914824	129528	0	0	1441877
Calculated	14116	45105	19408	0	0	78629
exclude	0	57719	589	0	0	58308
correction	0	0	0	0	0	0
Depreciation 31.12.2011.	411641	902210	148347	0	0	1462198
Balance sheet value 31.12.2010.	561438	200074	51248	40521	0	853281
Balance sheet value 31.12.2011.	547322	166240	39731	47480	0	800773

## 4.Cadastre value of the buildings

Property	Cadastre No.	Cadastre value LVL	Cadastre value EUR	balance sheet value LVL	balance sheet value EUR
Coal – woodchip place-shed	64050100122011	1664	2368	3973	5653
Joinery building	64050100122012	5899	8394	8373	11914
Lean -garage	64050100122008	6374	9069	6064	8628
Production building No.2	64050100122002	12743	18132	4817	6854
Engineering-technical building	64050100122003	5668	8065	1654	2353
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	30851	43897	19998	28455
Repair shop	64050100122006	17784	25304	12534	17834
Storehouse of electrolytic components	64050100122007	32160	45760	3260	4639
Boiler house	64050100122010	13174	18745	34600	49231
Aid post of factory	64050100122013	5756	8190	3245	4617
Warehouse	64020100122014	24951	35502	8572	12197
Warehouse	64050100122015	8175	11632	263	374
The main production building with compressor substation	64050100122016	121662	173109	189967	270299
Office building	64050100122017	23440	33352	8819	12548
Neutralization building	64050100122018	2282	3247	9639	13715
Gatehouse	64050100122019	234	333	0	0
Sawmill building	64050100122020	5401	7685	1901	2705
Transformer substation	64050100220021	1357	1931	1275	1814
Plot., Zingberga street 1, Aizpute 5621 m2	64050100008	3817	5431	3100	4411
Plot.,Kalvenes street 27,42694 m2 (93/100)	64050100122	11999	17073	13714	19513
Garage-outhouse	64050100122009	1681	2392	1790	2547
<b>Total</b>		<b>337072</b>	<b>479610</b>	<b>337558</b>	<b>480301</b>

**5. Advance payment for goods.**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Latvija Statoil SIA	565	804	518	737
Wuxi GMB intern. Corporation	47200	67160	14964	21292
Champion Fastener Limited	985	1402	2527	3596
Other	195	277	370	526
Total	48945	69643	18379	26151

**6. Trade debtors**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Trade debtors accounting value	145079	206429	126616	180158
Provisions doubtful debt	17825	25363	5153	7332
Trade debtors net value	127254	181066	121463	172826

**Change in provision for doubtful receivables**

	Trade debtors(LVL)	Trade debtors EUR)
Provisions 31.12.2010	5300	7541
Provisions decrease	0	0
provisions increase	12525	17822
Provisions 31.12.2011	17825	25363

**7. Other debtors .**

Item	31.12.11. LVL	31.12.11. EUR	31.12.10. LVL	31.12.10. EUR
The overpaid taxes	96	137	0	0
Personnel debts	163	232	405	576
Public utilities payment	3365	4788	6200	8822
Other debts	3380	4809	562	799
Total	7004	9966	7167	10197

**8. Deferred expenses.**

	31.12.11. LVL	31.12.11. EUR	31.12.10. LVL	31.12.10. EUR
subscription	209	297	194	276
Total	209	297	194	276

**9. Money resources**

	31.12.11. LVL	31.12.11. EUR	31.12.10. LVL	31.12.10. EUR
Money resources in cash department	872	1241	612	871
Money resources in bank	24586	34981	34366	48898
Total	25458	36222	34978	49769

**10. 2.** The share capital consists of 918144 equities with nominal value 1.00 LVL .:

- in public returns 656356 ,
- in closed register 261788.

48.36% ( 443976 equates )of share capital belongs to A/S “KURZEMES  
ATSLEGA 1’’, reg.40003253124.

13.4% - 123432 of share capital belongs to SCI AG,Usingen

9.5 % ( 87199 equates)of share capital belongs to Rolands Livmanis

**11. Long-term investment revaluation reserve.**

Item	Long-term investment revaluation reserve (LVL)	Long-term investment revaluation reserve (EUR)
Balance 31.12.2010	15597	22193
increase	0	0
decrease	0	0
Balance 31.12.2011	15597	22193



**12. PROVISIONS**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Provisions for not used holiday	23817	33889	19246	27385
Total	23817	33889	19246	27385

**13. Deferred tax liabilities**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Deferred tax liabilities	60278	85768	54840	78030
Incomes of reduction Deferred tax liabilities	9781	13917	5438	7738
Total	50497	71851	60278	85768

**14. Other creditors (short term.)**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Other creditors	0	0	9173	13052
Total	0	0	9173	13052

**15. Bank credit ( short term)**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
AS DNB BANKA	8103	11530	28180	40097

For the guarantee of increase in a limit of the credit for AS DnB  
NORD the commercial mortgage on resources in volume 68875 LVL is given out

**16 Liabilities to associated Enterprises short term)**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254	13921	19808	17534	24949

**17. Movement taxes 2011. LVL**

Kind of taxes	balance 31.12.2010. LVL	calculated 2011.g. LVL	paid s 2011.g. LVL	To direct for other taxes LVL	balance 31.12.2011. LVL
Obligatory payments of the state social insurance	10595	129969	129722	0	10842
Income tax of inhabitants	5293	53122	53918	0	4497
value added tax	1913	54981	54930	0	1964
real estate tax	0	4928	4928	0	0
<b>Enterprise income tax</b>	0	0	0	0	0
Tax to natural resources	141	549	786	0	-96
Business risk fee	28	337	335	0	30
Total	17970	243886	244619	0	17237

i.a.

Overpayment taxes 96

Liability taxes 17233

**Movement taxes 2011. EUR**

Kind of taxes	balance 31.12.2010. LVL	calculated 2011.g. LVL	paid s 2011.g. LVL	To direct for other taxes LVL	balance 31.12.2011. LVL
Obligatory payments of the state social insurance	15076	184929	184577	0	15427
Income tax of inhabitants	7531	75586	76718	0	6399
Value added tax	2722	78231	78158	0	2795
real estate tax	0	7012	7012	0	0
<b>Enterprise income tax</b>	0	0	0	0	0
Tax to natural resources	201	781	1118	0	-136
Business risk fee	40	480	477	0	43
<b>Total</b>	<b>25569</b>	<b>347019</b>	<b>348060</b>	<b>0</b>	<b>24528</b>

Int.al.:

Overpayment taxes 136

Liability taxes 24663

**18. The rest of creditors.**

Kind of creditors	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Wages for December	15831	22525	16504	23483
harm recompense	985	1402	1067	1518
Deduction from wages	163	232	129	184
Other creditors	2065	2938	2084	2965
<b>Total</b>	<b>19044</b>	<b>27097</b>	<b>19784</b>	<b>28150</b>

**19. Deferred income**

Item	31.12.2011. LVL	31.12.2011. EUR	31.12.2010 LVL	31.12.201. EUR
Proceeds of the part of ERDF funding	0	0	3727	5303

**21. Accrued liabilities.**

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2010. LVL	31.12.2010. EUR
Expenses of audit of the year 2011	600	854	600	854
JSC Latvenergo	6669	9489	6807	9685
SIA "Aizputes atslēgas"	700	996	1000	1423
Other	94	134	83	118
Total	8063	11473	8490	12080

Total remuneration for auditing of the annual accounts of the year 2011 makes 1000 LVL

**22. Transactions with associated persons**

Name of the associated person	Materials purchased from associated person in 2011.g.LVL	Materials purchased from associated person in 2011.g.EUR
JSC "KURZEMES ATSLĒGA" No. 40003123254	73766	104960
Among it		
Long-term debts to associated enterprise	0	0
Short-term debts to associated enterprise	0	0

**28. Financial risk management.**

The Company's principal financial instruments comprise loans, finance leases, cash. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

**Financial Risks**

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

**Foreign currency risk**

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables and short-term and long-term borrowings. The Company is mainly exposed to foreign currency risk of USD.

**Interest rate risk**

The Company is exposed to the interest rate risk mainly through its short-term and long-term borrowings. The Company's policy is to ensure that the majority of its borrowings are at floating and constant rate.

**Credit risk**

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized.

**Calculation of indices of the Financial results****Liquidity ratio.**

Liquidity – solvency, i.e. ability to extinguish short-term obligations in time and completely.

$$\text{Total ratio of liquidity} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

$$\text{Year 2011 } (802937:158135) = 5.08$$

$$\text{Year 2010 } (734180 : 143369) = 5.12$$

Quick ratio =

$$\frac{(\text{Cash} + \text{Marketable securities} + \text{Debtors})}{\text{Current Liabilities}}$$

$$\text{Year 2011} \quad (25458 + 134467) : 158135 = 1.01$$

$$\text{Year 2010} \quad (163800 : 143369) = 1.14$$

$$\text{Absolute liquidity ratio} = \frac{(\text{Cash} + \text{Marketable securities})}{\text{Current Liabilities}}$$

$$\text{Year 2011} \quad (25458 : 158135) = 0.16$$

$$\text{Year 2010} \quad (34978 : 143396) = 0.24$$

### **Liability ratio.**

Calculation of liability or solvency ratios (ability to cover short-term or long-term liabilities):

$$\text{Liability ratio in balance} = \frac{\text{Current Liabilities}}{\text{Balance total}}$$

$$\text{Year 2011} \quad (208632 : 1386375) = 0.15$$

$$\text{Year 2010} \quad (203647 : 1365176) = 0.15$$

$$\text{Liability ratio to equity} = \frac{\text{Liabilities}}{\text{Equity}}$$

$$\text{Year 2011} \quad (208632 : 1153926) = 0.18$$

$$\text{Year 2010} \quad (203647 : 1142283) = 0.18$$

$$\text{Equity ratio to total assets} = \frac{\text{Equity}}{\text{Assets}}$$

$$\text{Year 2011} \quad (1153926 : 1386375) = 0.83$$

$$\text{Year 2010} \quad (1142283 : 1365176) = 0.84$$

$$\text{Borrowed funds ratio} = \frac{\text{Borrowed funds}}{\text{Equity}}$$

$$\text{Year 2011} \quad (208632 : 1153926) = 0.18$$

$$\text{Year 2010} \quad (203647 : 1142283) = 0.18$$

Activity ratio.

Stock Turnover ratio =  $\frac{\text{Production Costs of sold products}}{\text{Average stock reminder}}$

Year 2011 ( 1434571 : 606695 )= 2.36

Year 2010 (1163101 : 557614)=2.09

**Profitability ratios:**

Sales profitability (%)=  $\frac{\text{Profit (or loss) of}}{\text{Net turnover}} * 100$

Year 2011 ( 11643x100:1584834)= 0.73%

Year 2010 (-20904 x 100 : 1296107)= -1.61 %

Equity profitability (%)=  $\frac{\text{Annual profit} * 100}{\text{Average annual equity}}$

Year 2011 ( 11643x100:1148105 )= 1.01%

Year 2010 (-20904 x 100 : 1152735)= - 1.81%

Chairman of the Board      Peteris Fridenberg

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Member of the Board      Andris Tauriņš

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Member of the Board      Aldis Ozols

Februar 29, 2012