

JOINT STOCK COMPANY

“KURZEMES ATSLEGA 1”

LV40003044007

ANNUAL REPORT

2012

(NON-AUDITED)

FOR THE PERIOD
01.01.2012-31.12.2012

Aizpute
2013

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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)	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Modris Moisejs-Member of Supervisory Council, "Kurzemes Atslega 1" JSC, Manager of the Electroplating Shop, Technologic-Mehanic Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant Irena Burve - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Accountant
Members of Board (from May 14,2009-July20,2012 resolution nr.6-12/68528)	Andris Taurins – Member of Board, "Kurzemes Atslega 1", JSC, chief engineer, Technologic – Mechanic Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production manager, Technologic – Mechanic
Members of Board (from July20,2012 resolution nr.6-12/107676)	Voldemārs Magone – Member of Board, "Kurzemes Atslega 1", JSC, Technical director Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, Production director.
Chairman of Board from May 14, 2009(resolution nr 6-12/68528)	Peteris Fridenbergs
Auditor	Aivars Rutkis Certificante No 18

2. Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” during 2012 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 1504881 LVL, profit 1903 LVL, profit per stock 0.002 LVL

Net turnover of 2012 compared with 2011 has reduced by 79953LVL, what makes 5%. The demand for building constructions has reduced.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 55.8%,
- export – 44 %

The distribution of net sales by countries

		<i>sales proceeds</i>		<i>sales proceeds</i>	
		2012.g.(Thousand LVL)	2011.g. (Thousand LVL)	2012.g.(Thousand EUR)	2011.g.(Thousand EUR)
1	Latvia	840.3	1020.4	1195.6	1452
2	Lithuania	279.7	278.7	398	396
3.	Uzbekistan	141.6	102	201.5	145
4.	Estonia	86.8	74.9	123.5	106
5.	Beliza	69.3	60.1	98.6	86
6.	Russia	40.4	27.1	57.5	39
7.	Ukraine	21.4	8.2	30.5	12
8.	Germany	12.1	10.8	17.2	15
9.	Denmark	11.7	0	16.6	0
10.	Finland	1.6	2.6	2.3	4
	Total:	1504.9	1584.8	2141.3	2255

Average number of employees in 2012 was 105, average salary 300 LVL.

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

In comparison with corresponding period of previous period, average salary is up by 2.4%.

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 credit line in amount of 70000 EUR.

Significant events after the accounting period.

During the period after accounting report till the moment of 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.

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.

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

$$\text{Year 2012 (809948:129201)}=6.27$$

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

Quick ratio =

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

$$\text{Year 2012 (66149+117175):129201}=1.42$$

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

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

$$\text{Year 2012(66194:129201)}=0.51$$

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

Liability ratio.

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

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

$$\text{Year 2012}(175428:1352526)=0.13$$

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

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

$$\text{Year 2012}(175425:1155810)=0.15$$

$$\text{Year 2011 } (208632:1153907)=0.18$$

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

$$\text{Year 2012}(1155810:1352526)=0.85$$

$$\text{Year 2011 } (1153907 : 1386375)= 0.83$$

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

$$\text{Year 2012}(175428:1155810)=0.15$$

$$\text{Year 2011 } (208632:1153907)= 0.18$$

Activity ratio.

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

$$\text{Year 2012 } (1362923:634795)=2.15$$

$$\text{Year 2011 } (1434571 : 606695)= 2.36$$

Profitability ratios:

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

$$\text{Year 2012} (1903 \times 100 : 1504881) = 0.13\%$$

$$\text{Year 2011} (11624 \times 100 : 1584834) = 0.73\%$$

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

$$\text{Year 2012} (1903 \times 100 : 1154858) = 0.16\%$$

$$\text{Year 2011} (11624 \times 100 : 1148105) = 1.01\%$$

JSC “KURZEMES ATSLEGA 1” policy for 2013

- 1. To pay more attention on external markets.**
- 2. To improve the product prices.**
- 3. Continue to diversify the range of the production, thus increasing the market share.**
- 4. Increase the sale by 5%.**
- 5. To restore the technological park within possibility margins.**

The Board of AS “KURZEMES ATSLEGA 1”:

Chairman of the Board	Peteris Fridenberg
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Member of the Board	Voldemars Magone
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Member of the Board	Aldis Ozols
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February 28, 2013

Aizpute

Statement of responsibility of direction.

Non-audited report of 2012 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 2012 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Voldemārs Magone
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Member of the Board	Aldis Ozols
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2.2.PROFIT AND LOSS ACCOUNT

December 31, 2012

Item	note	31.12.2012.	31.12.2012.	31.12.2011.	31.12.2011
	Nr.	LVL	EUR	LVL	EUR
Net sales	1	1504881	2141253	1584834	2255016
Cost of sales	2	1362923	1939265	1434571	2041211
Gross profit		141958	201988	150263	213805
Distribution expenses	3	38636	54974	45397	64594
Administration expenses	4	120410	171328	112130	159547
Other operating income	5	40931	58240	48241	68641
Other operating expenses	6	19008	27046	32418	46127
Operating profit		4835	6880	8559	12178
Income from other interest and similar incomes		0	0	4	6
Interest paid and similar expense	7	1138	1619	1773	2523
Profit before tax		3697	5260	6790	9661
Deferred tax income		4289	6103	9762	13890
Other taxes		-4925	-7008	-4928	-7012
		-1158	-1648	0	0
Net profit for the year		1903	2708	11624	16539

The accompanying notes on pages 19.-21. are an integral part of these financial statements

Profit per share 31.12.2012. 0.002 LVL , 0.003 EUR

Profit per share 31.12.2011. 0.013 LVL , 0.018 EUR

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board Peteris Fridenbergis

Member of the Board Voldemārs Magone

Member of the Board Aldis Ozols

2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.2012. LVL	31.12.2012. EUR	31.12.2011 LVL	31.12.2011 EUR
1.LONG TERM INVESTMENT					
1.Development expenses		10000	14229	20000	28457
2..Concessions, patents, licenses		326	464	652	928
Total	1	10326	14693	20652	29385
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	4	403098	573557	384660	547322
2.Equipment and machinery		104330	148448	116834	166240
3.Other fixed assets		24824	35321	27923	39731
4.Fixed assets development costs		0	0	33369	47480
5.Prepayment for fixed assets		0	0		
II Total fixed assets	3	532252	757326	562786	800773
1.Total LONG TERM INVESTMENT		542578	772019	583438	830158
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		312592	444778	311309	442953
2.Work in progress		160103	227806	178398	253837
3.Finished goods and goods for sale		93588	133164	104360	148492
5.Advance payment for goods	5	60296	85793	48945	69642
I. Total inventories		626579	891541	643012	914924
II. Debtors					
1.Trade debtors	6	103603	147414	127254	181066
4.Other debtors	7	13362	19012	7004	9966
7.Deferred expenses	8	210	299	209	297
II. Total debtors		117175	166725	134467	191329
III. Securities and capital participation					
IV . Cash	9	66194	94186	25458	36223
2.Total current assets		809948	1152452	802937	1142476
Total assets		1352526	1924471	1386375	1972634

LIABILITIES 1	Appendices	31.12.2012. LVL	31.12.2012. EUR	31.12.11. LVL	31.12.11 EUR
1.CAPITAL					
1.Share capital	10	918144	1306401	918144	1306401
3.Revaluation reserve	11	15597	22193	15597	22193
5.Retained profit					
a) previous years retained profit		220166	313268	208542	296729
current year profit		1903	2708	11624	16539
1Total Capital and reserves		1155810	1644570	1153907	1641861
2.PROVISIONS	12	21288	30290	23817	33889
Total PROVISIONS		21288	30290	23817	33889
3.CREDITORS					
1.Long term creditors					
Deferred tax	13	46227	65775	50516	71878
1.Total long term creditors		46227	65775	50516	71878
2.Short-term creditors					
3. Other loans		0	0	0	0
4..Bank loan	14	0	0	8103	11530
5.Advances received from customers		14544	20694	10014	14248
6.Trade creditors		60102	85517	81657	116187
8.Amounts payable to associated companies	15	9660	13745	13921	19808
10.Taxes and social security payments	16	18167	25849	17333	24663
11.Other creditors	17	19232	27365	19044	27097
Deferred income		0	0	0	0
Accrued liabilities	18	7496	10666	8063	11473
2. Total short-term creditors		129201	183836	158135	225006
Total creditors		175428	249611	208651	296884
Total liabilities		1352526	1924471	1386375	1972634

31.12.2011,31.12.2012 1EUR=0.702804 LVL

The accompanying notes on pages 17.-29.are an integral part of these financial stataments

2.3.Cash flow statement December 31, 2012

(Cash flow statement, prepared using indirect method)

Indices	Appe ndice s	31.12.12.	31.12.12.	31.12.11.	31.12.11
		LVL	EUR	LVL	EUR
2	1.			3.	4
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		3697	5260	6790	9661
Corrections:					
a) Wear and tear of fixed assets;		49649	70644	55261	78629
b) Value cancellation if long-term investments;		10326	14693	10656	15162
c) Formation of reserves (except the reserves for unreliable debt);		-2529	-3598	4571	6505
d) Profit or loss from fluctuation of foreign currency exchange rate;		3697	5260	-4306	-6127
e) Interest received		0	0	-4	-6
f) Proceeds from partnership in capital of subsidiary company and associated enterprises		1138	1619	1679	2389
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		65978	93878	74647	10613
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		17292	24604	-5643	-8029
b) Increase or decrease of residues of resources;		16433	23382	-72634	-103349
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-20831	-29640	44016	62629
3. The gross cash flow of basic activity.		78872	112224	40386	57464
4. Expenses for interests payments.		-1138	-1619	-1679	-2389
5. Expenses for payments of enterprise income tax		-4925	-7008	-4928	-7012
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		72809	103597	33779	48063
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		72809	103597	33779	48063

1.	2.	.		3	4
0	0				0
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.		-20273	-28845	-18059	-25696
3. Purchase of fixed assets and nonmaterial investments					
3. Interest received		0	0	4	6
4 income from sale of fixed assets					
9. Net cash flow used in investing activities		-20273	-28845	-18059	-25696
III. Financing activities					
1.	2.	0	0	3	4
2. Loans received					
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-8103	-11530	-29550	-42046
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity					
		-8103	-11530	-29550	-42046
IV. The result of exchange rate fluctuations of foreign currency.		-3697	-5260	4306	6127
V. The net cash flow of year of account		40736	57962	-9520	-13546
VI. The reminder of currency and its equivalents at the beginning of year of account.		25458	36223	34978	49769
VII. The reminder of currency and its equivalents at the end of year of account.		66194	94185	25458	36223

2.5 STATEMENT OF CHANGES IN EQUITY

Year 2011

(LVL)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2010 LVL	918144	15597		208542	1142283
Current year loss	0	0	11624	0	11624
As of 31 December 2011 LVL	918144	15597	11624	208542	1153907
Correction for deferred tax	0	0	0	0	0
Year 2010 of account loss	0	0	-11624	11624	0
Current year profit	0	0	1903	0	1903
As of 31.december 2011 LVL	918144	15597	1903	220166	1155810

(EUR)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2010LVL	1306401	22193	-	296728	1625322
Current year loss	0	0	16539	0	16539
As of 31 December 2011 LVL	1306401	22193	16539	296729	16418262
Correction for deferred tax	0	0	-16539	16539	0
Year 2012 of account loss	0	0	2708	0	2708
As of 31.december 2012 LVL	1306401	22193	2708	313268	1644570

2.5. Appendices to the Financial statements 2012-2011

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	0.531	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.

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.

	2012.LVL	2012.EUR	2011 LVL	2011 EUR
The average annual number of employees	105		107	
Personnel expenses Total	466810	664211	466088	663183
- wages	377476	537100	376860	536223
social insurance	89334	127111	89228	126960
- inter alia				
Production personnel				
- wages	274994	391281	279246	397332
social insurance	65272	92874	66009	93922
Total	340266	484155	345255	491254
The personnel of administration				
- wages	91797	130615	84416	120113
social insurance	21525	30627	20072	28560
Total	113322	161242	104488	148673
i.a. Compensation of board				
- compensation	8084	11502	8068	11480
- social insurance	1947	2770	1943	2765
Total	10031	14272	10011	14245
Compensation of Supervisory Council				
- compensation	6240	8879	6240	8879
- social insurance	1393	1982	1371	1951
Total	7633	10861	7611	10830
The personnel of sales				
- compensation	9452	13449	9840	14001
- social insurance	2119	3015	2338	3327
Total	11571	16464	12178	17328
The personal for social sphere				
- compensation	1233	1754	3358	4778
- social insurance	418	595	809	1151
Total	1651	2349	4167	5929

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

Modus operandi	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Incomings from production of locks and ironmongery	1444512	2055355	1541304	2193078
Incomings from rendering of services	60369	85898	43530	61938
Total:	1504881	2141253	1584834	2255016

2. Production costs of sales.

The main elements of expenses	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Material costs	787449	1120439	861870	1226331
Wages	274994	391281	276192	392986
Obligatory payments of the state social insurance	65272	92874	66009	93922
Electrical energy	68523	97499	66856	95128
Costs of depreciation of fixed	59975	85337	65917	93791
Wear of low value stock	13453	19142	29536	42026
Import duty	4569	6501	4023	5724
Received services	38604	54929	50206	71437
Environment protection expenses	7020	9989	6473	9210
The rest of expenses	37703	53647	57855	210717
Expenses in total	1357562	1931637	1484937	2112875
Correction of expenses				
Changes of remains of unfinished production	18295	26031	-25247	-35923
Changes of remains of self-made punches, molds and materials	-20823	-29628	-14996	-21337
Changes of remains of complete product	12231	17403	3218	4579
Changes of remains self-made fixed assets	-4342	-6178	-13341	-18983
Total	1362923	1939265	1434571	2041211

3. Distribution expenses

The main elements of expenses	31.12.2012. LVL	31.12.2012 . EUR	31.12.201. LVL	31.12.201. EUR
Wages	9452	13449	9840	14001
Social expenses	2119	3015	2338	3326
The rest of expenses	340	484	806	1147
Marketing Services	26725	38026	32413	46120
Total	38636	54974	45397	64594

4. Administration expenses.

The main elements of expenses	31.12.2012. LVL	31.12.2012 . EUR	31.12.2011 LVL	31.12.2011 EUR
Wages	91797	130615	84416	120113
Social expenses	21525	30627	20072	28560
The rest of expenses	6088	8663	6642	9451
Provisions	1000	1423	1000	1423
Total	120410	171328	112130	159547

5. The rest of incomes for economic activity

Sort of revenue	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Sales of current assets	38315	54517	34756	49453
Incomes from exchange rate fluctuations	0	0	4306	6127
The rest of incomes	2528	3598	3726	5302
Others income	88	125	5453	7759
Total	40931	58240	48241	68641

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

	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Expenses for social sphere	1650	2348	4167	5929
Expenses, unrelated with economic activity, donations	1430	2035	535	761
Revaluation reserve				
harm recompense	11817	16814	12215	17380
Other expenses	4111	5849	15501	22057
Total	19008	27046	32418	46127

7. Interest, interest cover

	31.12.2012 LVL	31.12.2012 EUR	31.12.2011. LVL	31.12.2011. EUR
interest	1068	1519	1679	2389
interest cover	70	100	94	134
Total	1138	1619	1773	2523

Appendices to balance sheet..**1. Intangible fixed assets. (LVL)**

	Intangible fixed assets LVL	Development expenses LVL	Total
Purchases prices 31.12.2011	3956	50000	53956
Liquidation			
31.12.2012	3956	50000	53956
Deprecations.	3304	30000	33304
Purchase			
calculated	326	10000	10326
Deprecations. 31.12.2011	3630	40000	43630
Balance cost 31.12.2011	652	20000	20652
balance cost 31.12.2012	326	10000	10326

Intangible fixed assets. (EUR)

	Intangible fixed assets EUR	.Development expenses EUR	Total
Purchases prices 31.12.2011	5629	71143	76772
Liquidation 31.12.2012	0 5629	0 71143	0 76772
Deprecations. 31.12.2011	4701	42686	47387
calculated	464	14229	14693
Deprecations. 31.12.2012	5165	56915	62080
Balance cost 31.12.2011	928	28457	29385
balance cost 31.12.2012	464	14229	14693

2. Fixed asset liquidation

	31.12.20112 LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Fixed asset acquisition value	0	0	40978	58306
Accumulated depreciation	0	0	40765	58003
Loss from liquidation of fixed assets	0	0	213	303

3. Fixed assets (LVL)

	plots, buildings	Technolo- gical equipment	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2011.LVL	673963	791476	132596	33369	0	1631404
to put into operation	28478	15856	8150	-33369	0	19115
Purchase prices 31.12.2012.	702441	807332	140746			1650519
Deprecation 31.12.2011.	289303	674642	104673	0	0	1068618
Calculated	10040	28360	11249	0	0	49649
correction	0	0	0	0	0	0
Depreciation 31.12.2012.	299343	703002	115922	0	0	1118267
Balance sheet value 31.12.2011	384660	116834	27923	33369	0	562786
Balance sheet value 31.12.2012.	403098	104330	24824	0	0	532252

Fixed assets (EUR)

	plots, buildings	Technolo- gical equipment	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2011	958963	1126169	188667	47480	0	2321279
to put into operation	40521	22561	11596	-47480	0	27198
Purchase prices 31.12.2011.	999484	1148730	200263	47480	0	2348477
Deprecation 31.12.2010	411641	959929	148936	0	0	1520506
Calculated	14286	40353	16006	0	0	70644
correction	0	0	0	0	0	0
Depreciation 31.12.2011.	425925	1000282	164942	0	0	1591151
Balance sheet value 31.12.2010.	547322	166240	39731	47480	0	800772
Balance sheet value 31.12.2011.	573557	148448	35321	0		757326

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	3890	5535
Joinery building	64050100122012	5899	8394	8197	11663
Lean -garage	64050100122008	6374	9069	5937	8448
Production building No.2	64050100122002	12743	18132	4700	6687
Engineering-technical building	64050100122003	5668	8065	1614	2297
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	30851	43897	19511	27762
Repair shop	64050100122006	17784	25304	12228	17399
Storehouse of electrolytic components	64050100122007	32160	45760	3181	4526
Boiler house	64050100122010	13174	18745	33756	48030
Aid post of factory	64050100122013	5756	8190	3169	4509
Warehouse	64020100122014	24951	35502	8363	11900
Warehouse	64050100122015	8175	11632	256	364
The main production building with compressor substation	64050100122016	121662	173109	213694	304059
Office building	64050100122017	23440	33352	8604	12242
Neutralization building	64050100122018	2282	3247	9404	13381
Gatehouse	64050100122019	234	333	0	0
Sawmill building	64050100122020	5401	7685	1855	2640
Transformer substation	64050100220021	1357	1931	1244	1770
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	1752	2493
Total		337072	479610	358169	509629

5. Advance payment for goods.

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Latvija Statoil SIA	0	0	565	804
Statoil Fuel Retail Latvija SIA	399	568	0	0
Wuxi GMB intern. Corporation	58676	83488	47200	67160
Champion Fastener Limited	0	0	985	1401
Other	1220	1737	195	277
Total	60296	85793	48945	69642

6. Trade debtors

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Trade debtors accounting value	103724	147586	145079	206429
Provisions doubtful debt	121	172	17825	25363
Trade debtors net value	103603	147414	127254	181066

Change in provision for doubtful receivables

	Trade debtors(LVL)	Trade debtors EUR)
Provisions 31.12.2011	17825	25363
Provisions decrease	0	0
provisions increase	121	173
Provisions 31.12.2012	17946	25535

7. Other debtors .

Item	31.12.12. LVL	31.12.12. EUR	31.12.11. LVL	31.12.11. EUR
The overpaid taxes	0	0	96	137
Personnel debts	176	250	163	232
Public utilities payment	4719	6715	3365	4788
Other debts	8467	12047	3380	4809
Total	13362	19012	7004	9966

8. Deferred expenses.

	31.12.12. LVL	31.12.12. EUR	31.12.11. LVL	31.12.11. EUR
subscription	210	299	209	297
Total	210	299	209	297

9. Money resources

	31.12.12. LVL	31.12.12. EUR	31.12.11. LVL	31.12.11. EUR
Money resources in cash department	695	989	872	1241
Money resources in bank	65499	93197	24586	34982
Total	66194	94186	25458	36223

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 ”, reg.40003253124.

18.46% - 169493 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	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Provisions for not used holiday	21288	30290	23817	33889
Total	21288	30290	23817	33889

13. Deferred tax liabilities

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Deferred tax liabilities	50516	71878	60278	85768
Incomes of reduction Deferred tax liabilities	4289	6103	9762	13890
Total	46277	65775	50516	71878

14. Bank credit (short term)

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
AS DNB BANKA	0	0	8103	11530

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

15. Liabilities to associated Enterprises short term)

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
A.S "KURZEMES ATSLĒGA" reg.nr.: 40003123254	9660	13745	13921	19808

16. Movement taxes 2011. LVL

Kind of taxes	balance 31.12.2011. LVL	calculated 2012.g. LVL	paid s 2012.g. LVL	To direct for other taxes LVL	balance 31.12.2012. LVL
Obligatory payments of the state social insurance	10842	130394	130122	0	11114
Income tax of inhabitants	4497	56124	55775	0	4846
value added tax	1964	183688	184860	0	792
real estate tax	0	4925	4925	0	0
Enterprise income tax	0	1158	0	0	1158
Tax to natural resources	-96	601	276	0	229
Business risk fee	30	331	333	0	28
Total	17237	377221	376291	0	18167

i.a.

Overpayment taxes

Liability taxes 18167

Movement taxes 2012. EUR

Kind of taxes	balance 31.12.2011. LVL	calculated 2012.g. LVL	paid s 2012.g. LVL	To direct for other taxes LVL	balance 31.12.2012. LVL
Obligatory payments of the state social insurance	15427	185534	185147	0	15814
Income tax of inhabitants	6399	79857	79361	0	6895
Value added tax	2795	261364	263032	0	1127
real estate tax	0	7008	7008	0	0
Enterprise income tax	0	1648	0	0	1648
Tax to natural resources	-136	855	393	0	326
Business risk fee	43	471	474	0	40
Total	24528	536736	535415	0	25849

Int.al.:

Overpayment taxes

Liability taxes 25849

17. The rest of creditors.

Kind of creditors	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Wages for December	15799	22480	15831	22525
harm recompense	986	1404	985	1402
Deduction from wages	377	536	163	232
Other creditors	2070	2945	2065	2938
Total	19232	27365	19044	27097

18. Accrued liabilities.

Item	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Expenses of audit of the year 2011	1000	1423	600	854
JSC Latvenergo	5766	8204	6669	9489
SIA "Aizputes Atslegas"	0	0	700	996
Other	730	1039	94	134
Total	7496	10666	8063	11473

Total remuneration for auditing of the annual accounts of the year 2012 makes 1000 LVL

19. Transactions with associated persons

Name of the associated person	Materials purchased from associated person in 2012 LVL	Materials purchased from associated person in 2012. EUR
JSC "KURZEMES ATSLĒGA" Registration No. 40003123254	74682	106263
Among it		
Long-term debts to associated enterprise	0	0
Short-term debts to associated enterprise	74682	106263

Chairman of the Board Peteris Fridenbergs

Member of the Board Voldemārs Magone

Member of the Board Aldis Ozols

February 28, 2013