

Name of the company:

**JSC “Olaines kūdra”**

Legal address

**Rīgas 21, Olaine, edge of Olaine LV-2114**

Unified registration number

**40003006999**

## **ANNUAL REPORT**

### **For the Year 2011**

(reporting period: 01.01.2011.-31.12.2011.)

Date of producing of the document

The document drawn up by (first name, surname, position)

Confirmed by (first name, surname, position)

Currency of the Report:

**LVL/EUR**

Name of the Company

**JSC “Olaines kūdra”**

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## INFORMATION ABOUT THE COMPANY

1 The full name of the Company:	JSC "Olaines kūdra"	
2 Legal status of the Company:	Joint Stock Company	
3 Registration No. In the CR, place and date:	40003006999	Rīga, 02.07.2004
4 Tax payer's registration number.:	40003006999	Rīga, 03.08.2004
5 VAT registration number:	LV 40003006999	
5 The Company's legal address and telephone:	Rīgas 21, Olaine, edge of Olaine LV-2114	
	Tel.: 67966003	Fax: 67966003
6 Office address and telephone:	Rīgas 21, Olaine, LV-2114	
	Tel.: 67966003	Fax: 67966003
7 Type of business:	Extraction and processing of peat	
8 Reporting year:	January 1, 2011 – December 31, 2011	
9 Members of Board		
Chairman of Board	Gunārs Cankalis	
Members of Board	Ļubova Kazule	
	Verners Liniņš	
10 Council	Heinrich Strengē	
	Agnes Maria Strengē	
	Henning Franz Strengē	
	Christian Strengē	
	Juri Roht	
11 the Chief accountant:	Jeļena Luseviča	
12 Auditor, licence no., address, telephone:	LLC "FINANSIST", Address: Rīga, Tālavas gatve 11-4, Latvija, LV-1067	
	40002046180	Licence no. 102
13 Average number of employees:	82	

14 The owners/shareholders of the Company

Total share capital Ls 1 800 000

LLC "Florabalt SIA"

Address: Liepas 1, Valles pagasts, Vecumnieku novads  
LV-5106 Latvija

The proportion of shares (%)

92%

40003516811

15 Information about the related companies:

LLC "Florabalt SIA"

Address: Liepas 1, Valles pagasts, Vecumnieku novads  
LV-5106 Latvija

16 Structural units of the Company

"Gaismas" - unit of peat extraction

Address, tel.: "Gaismas", Olaine civil parish, Riga region

Tel.27931228

## **JSC “OLAINES KŪDRA” MANAGEMENT REPORT ON ECONOMIC ACTIVITIES IN 2011.**

The main directions of business activities of JSC “Olaines kūdra” in 2011:

1. Extraction of milled peat.
2. Production of moss peat, neutralized peat and peat substrata.
3. Packaging of peat.
4. Distribution of peat products in Latvia and abroad.

### **Comparison of the Company’s business with that of year 2010, the factors influencing business.**

#### **Economical status and turnover.**

The total net turn-over as compared to the respective period of the previous year, has decreased by 26 %; 49.9% has been sold in local market and 50.1 % of the amount is delivered to EU and exported.

The production of packed peat as compared to the previous year has decreased by 45%.

Meteorology conditions in 2010 season were one of the most unfavourable for extraction of peat during the last few years; the total extraction of peat in the season was 14045 tons of milled peat or 46.8 % of the planned amount. In the reporting year the average wage has increased by 3.5%, the average number of employees has reduced by 5 people. In 2010 87 people have worked, in 2011 the average number of employees were 82. At the end of 2011 the number of employed persons was 63. The employees are provided with labour protection means, special working clothes, and high quality potable water.

The Company has provided the timely payments of employees’ salaries; the Company has no tax and other payment debts to the State and municipal budgets. The tax payments to the State and municipal budgets are calculated in the amount tax payments to State and municipal budgets in the amount of 203 716 lats.

Already at the beginning of the year the Company has forecasted that if the peat extraction won’t reach 30000 tons it cannot provide the cost-effective work. The actual peat extraction in the reporting year was only 14045 tons, and notwithstanding the fact that the Company in 2011 continued to work in strict saving mode, the losses from the economic activities were 160777 LVL. The year 2010 JSC “Olaines kūdra” concluded the year with the loss in the amount of 45071 LVL.

In order to provide its financial operation the Company is mainly using its own financial means without attracting bank credits. The financial assets and liabilities of the Company consist of cash, debts of buyers and customers, debts to suppliers.

In 2010 the loss per one share was 0,025 LVL, in 2011 – 0.0893 LVL.

#### **Movement of Company's securities**

JSC "Olaines kūdra" has quoted its shares at AS "NASDAQ OMX Riga". In 2011 the market price of one share at Stock Exchange varied between 0,20 LVL and 1,99 LVL per share. In 2011 the following significant transactions with the shares of JSC "Olaines kūdra" were registered: the most significant buyer of shares was LLC "Florabalt SIA" that in 2011 has bought 92.31% or 1 661 617 shares. As of February 10, 2012 LLC the number of shares owned by LLC "Florabalt SIA" has reached 95.2% or 1 713 587 shares.

#### **The profitability of the Company**

The reporting year after taxes was concluded at a loss in the amount of 160777 LVL.

#### **Conditions that can influence the economic situation of the Company in 2012 and the planned policy in 2012.**

In 2012 the Company will continue with repairs of its peat extraction fields of repairs, will continue to buy modern equipment, scheduled for full replacement of old equipment. The new equipment will allow to proceed with peat extraction on new level, as well as to improve the working conditions of employees.

In 2012 for the peat removal from the marsh we will continue to improve the peat removal roads by providing installation of concrete slabs.

All the works mentioned above will facilitate the increase of peat extraction, the cost reduction and improvement of cost-efficiency of the Company..

#### **Events calling for adjustment of Report for the year 2011 after the balance date**

After the balance date there are no events calling for necessity to supplement or correct the Annual Report.

Chairman of Board

Gunārs Cankalis

Member of Board

Ļubova Kazule

Member of Board

Verners Liniņš

Name of the Company **JSC "Olaines kūdra"**

Registration No. **40003006999**

Address **Rīgas 21, Olaine, edge of Olaine LV-2114**

Telephone **67966003** Fax **67966003**

Management institution **SRS Riga Regional institution, Riga district department**

Type of business **Extraction and processing of peat**

Measurement unit **LVL/EUR**

**PROFIT OR LOSS STATEMENT**  
(ACCORDING TO THE TURN-OVER METHOD)  
(reporting period: 01.01.2011.-31.12.2011.)

Name of indices	Number of Notes	2011		2010	
		LVL	EUR	LVL	EUR
1	2				
Net turn-over	14	895535	1274239	1218515	1733801
Cost of production of sold products	15	-883555	-1257193	-1074430	-1528785
Gross profit or losses		<b>11980</b>	<b>17046</b>	<b>144085</b>	<b>205016</b>
Sales costs	16	-75972	-108099	-116314	-165501
Administrative costs	17	-133304	-189676	-83758	-119178
Other income from economic activity	18	124075	176544	25619	36453
Other expenses of economic activity	18	-66087	-94033	-9458	-13458
Other interest income and similar income	19	112	158	9871	14045
Profit or loss before extraordinary items and taxes		<b>-139196</b>	<b>-198060</b>	<b>-29955</b>	<b>-42622</b>
Profit or loss before taxes		<b>-139196</b>	<b>-198060</b>	<b>-29955</b>	<b>-42622</b>
Income and expenses related to deferred tax liabilities and assets				3560	5065
Other taxes		-21581	-30706	-18676	-26574
Profit or loss of the reporting year	20	<b>-160777</b>	<b>-228766</b>	<b>-45071</b>	<b>-64131</b>

Name of the Company	<b>JSC “Olaines kūdra”</b>
Registration No. In Commercial Register	40003006999
Tax payer's registration number	40003006999
Address	Rīgas 21,Olaine,edge of OlaineLV-2114
Telephone	67966003      Fakss      67966003
Management institution	SRS Riga Regional institution,Riga distric department
Tax authority	
the main type of business	Extraction and processing of peat
Measurement unit	LVL/EUR

## **BALANCE SHEET**

On 31.12.2011

(reporting period: 01.01.2011.-31.12.2011.)



ASSETS	Number of Note	At the end of the Reporting period		At the beginning of the year	
		LVL	EUR	LVL	EUR
1	2				
<b>LONG-TERM INVESTMENTS</b>					
<b>Intangible assets</b>					
Concessions, patents, licenses, trade marks and similar rights		174	248	257	366
<b>I. TOTAL:</b>	1	174	248	257	366
<b>Fixed assets</b>					
Land plots, buildings and structures and perennial plants		398157	566530	455043	647472
Equipment and machinery		362435	515701	180867	257352
Other fixed assets and inventory		18194	25888	5923	8428
Formation of fixed assets and costs of unaccomplished construction objects		69897	99454	8974	12769
<b>II. TOTAL:</b>		848683	1207573	650807	926020
<b>GRAND TOTAL OF THE FIRST SECTION</b>		848857	1207821	651064	926386
<b>CURRENT ASSETS</b>					
<b>Stocks</b>					
Raw material, basic materials and auxiliary materials	2	168303	239475	89611	127506
Unfinished produce				53	75
Finished produce and goods for sale		311712	443529	362676	516044
Advance payments for goods	3	50730	72183	17038	24243
<b>I. TOTAL:</b>		530745	755187	469378	667869
<b>Debtors</b>					
Debts of customers and clients	4	182987	260369	300045	426928
Other debtors	5	16950	24118	28988	41246
Deferred expenses	6	11176	15902	4983	7090
<b>III. TOTAL:</b>		211113	300389	334016	475264
<b>Short-term financial investments</b>					
Own shares				6000	8537
<b>IV. TOTAL:</b>		0	0	6000	8537
Cash (total)	7	227280	323392	492751	701126
<b>GRAND TOTAL OF THE SECOND SECTION</b>		969138	1378968	1302145	1852796
<b>BALANCE</b>		1817995	2586789	1953209	2779182

LIABILITIES	Piezimes numurs	At the end of the Reporting period		At the beginning of the year	
		LVL	EUR	LVL	EUR
1	2				
<b>Shareholders' funds</b>					
Share capital (equity capital)	8	1800000	2561184	1800000	2561184
Reserves:					
other reserves		37850	53856	37850	53856
<b>I. TOTAL:</b>		1837850	2615040	1837850	2615040
Retained earnings					
retained earnings from the previous years		-34942	-49718	10129	14412
retained earnings of the reporting year		-160777	-228766	-45071	-64131
<b>GRAND TOTAL OF THE SECTION</b>		1642131	2336556	1802908	2565321
<b>ACCRUALS</b>					
Other accruals	9	21700	30876	24255	34512
<b>GRAND TOTAL OF THE SECOND SECTION</b>		21700	30876	24255	34512
<b>3. CREDITORS</b>					
<b>I. LONG-TERM CREDITORS</b>					
Debts to suppliers and contractors	10	2728	3882	13131	18684
Deferred tax liabilities	11	44989	64014	44989	64014
<b>I. TOTAL:</b>		47717	67896	58120	82698
<b>SHORT-TERM CREDITORS</b>					
Advances from customers		37068	52743	13961	19866
Debts to suppliers and contractors	10	30699	43681	24847	35354
Taxes and state obligatory social insurance contributions	12	13473	19170	17303	24620
Other creditors	13	25207	35867	11815	16811
<b>II. TOTAL:</b>		106447	151461	67926	96652
<b>GRAND TOTAL OF THIS SECTION</b>		154164	219357	126046	179349
<b>BALANCE</b>		1817995	2586789	1953209	2779182

Name of the company **JSC "Olaines kūdra"**

Registration No. In ER

Tax payer's reg.No.:

Address: Rīgas 21, Olaine, LV-2114

Tel. 67966003

Fax 67966003

SRS Riga regional institution, Riga District department

Measurement unit LVL/EUR

**CASH FLOW STATEMENT FOR THE YEAR 2011**  
(reporting period: 01.01.2011.-31.12.2011.)

(with a direct method)

	Annexes	2011		2010	
		01.01.-31.12. LVL	01.01.-31.12. EUR	01.01.-31.12. LVL	01.01.-31.12. EUR
<b>I. Cash flow from basic activity</b>					
1	Income from sales of goods and provided services	1351695	1923300	1263719	1798121
2	Payments to suppliers, employees and other operating expenses	-1360693	-1936103	-1122886	-1597732
3	<i>Gross basic activity cash flow</i>	-8998	-12803	140833	200389
4	Expenses on interest payment	-844	-1201	-1287	-1831
5	Expenses on company's income tax payments			-11294	-16070
6	<i>Cash flow before extraordinary items</i>	-9842	-14004	128252	182488
	<b>I. Operation net cash flow</b>	<b>-9842</b>	<b>-14004</b>	<b>128252</b>	<b>182488</b>
<b>II. Investment operation cash flow</b>					
1	Procurement of fixed assets and intangible assets	21	-315415	-448798	-29480
2	Income from selling of fixed assets and intangible assets		51042	72627	
3	Expenses from sales of own shares		3000	4269	
4	Granted loans				-255460
5	Income from repaid loans				255460
6	Income from interest payment		5632	8014	9458
	<b>II. Investment operation net cash flow</b>		<b>-255741</b>	<b>-363888</b>	<b>-22833</b>

**SUMMARY OF CASH INCOME AND EXPENSES**

I	<b>Result of basic activity</b>	<b>-9842</b>	<b>-14004</b>	<b>128252</b>	<b>182488</b>
II	<b>Result of investment operation</b>	<b>-255741</b>	<b>-363888</b>	<b>-22833</b>	<b>-32489</b>
III	<b>Result of fluctuation of foreign currency rates</b>	<b>112</b>	<b>158</b>	<b>9871</b>	<b>14045</b>
IV	<b>Net increase or decrease of cash and its equivalents</b>	<b>-265471</b>	<b>-377734</b>	<b>115290</b>	<b>164044</b>
V	<b>Residual of cash and its equivalents at the beginning of the reporting period</b>	<b>492751</b>	<b>701126</b>	<b>377461</b>	<b>537082</b>
VI	<b>Residual of cash and its equivalents at the end of the reporting period</b>	<b>227280</b>	<b>323392</b>	<b>492751</b>	<b>701126</b>

Name of the Company **JSC "Olaines kūdra"**

**STATEMENT OF OWN CAPITAL CHANGES FOR THE YEAR 2011**

(reporting period: 01.01.2011.-31.12.2011.)

(WITH A HORIZONTAL METHOD)

	Equity capital		Other reserves		Retained earnings		Own capital (total)	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Residual according to balance sheet as of the beginning of the previous reporting period 01.01.2010</b>	1800000	2561184	37850	53856	10129	14412	1847979	2629452
Retained earnings of the reporting year					-45 071	-64 131	-45071	-64131
<b>Residual according to the balance sheet as of the beginning of the reporting period 01.01.2011</b>	1 800 000	2 561 184	37 850	53 856	-34 942	-49 718	1802908	2565321
Retained earnings of the reporting year					-160 777	-228 766	-160 777	-228 766
<b>Residual according to the balance sheet as of the end of the reporting period 31.12.2011</b>	1 800 000	2 561 184	37 850	53 856	-195 719	-278 484	1642131	2336556

Name of the company

JSC "Oļaines kūdra"

**STATEMENT OF LONG-TERM INVESTMENT MOVEMENT FOR 2011**  
(reporting period: 01.01.2011.-31.12.2011.)

LVL

N.p.k.	Type of Long-Term investments	Initial value		movement and exemption from operation (+,-)	On 31.12. 2011.g.	On 01.01. 2011.g.	Depreciation (write-off of value)		Residual value		
		On 01.01. 2011.g. manufacturing (+)	purchase and manufacturing (+)				calculated in the reporting year (+,-)	excluded due to the exemption from operation (-)	On 31.12. 2011.g.	On 01.01. 2011.g.	On 31.12. 2011.g.
	<b>I. Intangible investments total</b>	<b>3470</b>	<b>150</b>	<b>0</b>	<b>3620</b>	<b>3213</b>	<b>233</b>	<b>0</b>	<b>3446</b>	<b>257</b>	<b>174</b>
incl.:											
1	Licences	1477	150		1627	1220	233		1453	257	174
2	Trademarks	143			143	143			143	0	0
3	Accounting software	1850			1850	1850			1850	0	0
	<b>II. Fixed assets (total)</b>	<b>2159983</b>	<b>321692</b>	<b>-567625</b>	<b>1914050</b>	<b>1509176</b>	<b>85807</b>	<b>-529616</b>	<b>1065367</b>	<b>650807</b>	<b>848683</b>
incl.:											
1	Land plots, buildings, structures and perennial plants	1025770		-325133	700637	570727	32657	-300904	302480	455043	398157
2	Equipment and machinery	1081575	235084	-223061	1093598	900708	50595	-220140	731163	180867	362435
3	Other fixed assets and inventory	43664	16711	-10457	49918	37741	2555	-8572	31724	5923	18194
4	Placement of fixed assets and costs of incomplete construction	8974	69897	-8974	69897				0	8974	69897
	<b>Total long-term investments</b>	<b>2163453</b>	<b>321842</b>	<b>-567625</b>	<b>1917670</b>	<b>1512389</b>	<b>86040</b>	<b>-529616</b>	<b>1068813</b>	<b>651064</b>	<b>848857</b>

EUR

N.p.k.	Type of Long-Term investments	Initial value		movement and exemption from operation (+,-)	On 31.12. 2011.g.	On 01.01. 2011.g.	Depreciation (write-off of value)		Residual value		
		On 01.01. 2011.g. manufacturing (+)	purchase and manufacturing (+)				calculated in the reporting year (+,-)	excluded due to the exemption from operation (-)	On 31.12. 2011.g.	On 01.01. 2011.g.	On 31.12. 2011.g.
	<b>I. Intangible investments total</b>	<b>4937</b>	<b>213</b>	<b>-</b>	<b>5151</b>	<b>4572</b>	<b>332</b>	<b></b>	<b>4903</b>	<b>366</b>	<b>248</b>
incl.:											
1	Licences	2102	213		2315	1736	332		2067	366	248
2	Trademarks	203			203	203	0		203	0	0
3	Accounting software	2632			2632	2632			2632	0	0
	<b>II. Fixed assets (total)</b>	<b>3073396</b>	<b>457728</b>	<b>-807662</b>	<b>2723462</b>	<b>2147376</b>	<b>122093</b>	<b>-753580</b>	<b>1515889</b>	<b>926020</b>	<b>1207573</b>
incl.:											
1	Land plots, buildings, structures and perennial plants	1459548	-	462625	996922	812076	46467	-428150	430393	647472	566530
2	Equipment and machinery	1538951	334496	317389	1556059	1281599	71991	-313233	1040357	257352	515701
3	Other fixed assets and inventory	62129	23778	-14879	71027	53701	3635	-12197	45139	8428	25888
4	Placement of fixed assets and costs of incomplete construction	12769	99454	-12769	99454	0	0	0	0	12769	99454
	<b>Total long-term investments</b>	<b>3078334</b>	<b>457941</b>	<b>-807662</b>	<b>2728613</b>	<b>2151948</b>	<b>122425</b>	<b>-753580</b>	<b>1520793</b>	<b>926386</b>	<b>1207821</b>

Addition: including basic facilities without a remaining cost – amount is 144 th., initial cost – LVL 529795 / EUR 753835

## **ANNEX TO THE ANNUAL REPORT OF JSC “OLAINES KŪDRA”**

### MAIN PRINCIPLES OF DRAFTING OF THE ANNUAL REPORT.

The Annual Report has been prepared in accordance with the Laws of the Republic of Latvia: „On Annual Reporting Act”, Cabinet regulation and subject to LGS No.1; LGS No.2 LGS No.3; LGS No.4; LGS No.5;LGS No.6;LGS No7,LGS No8;LGS No11. issued by The Ministry of Finance of the Republic of Latvia, that shall be applied in the Reporting year.

Profit or Loss Statement has been prepared in accordance with the method of turn-over of expenses.

The Financial Report provides true and clear view on the financial means of the company, its liabilities, financial standing and profit.

The accounting ensures that the Financial Report provides substantial information for the users of e financial reports to adopt the resolution:

- It is reliable.
- Reports truly reflect the results of the Company’s activities and its financial standing, specifying not only the legal form of transactions but also their economical contents.

#### THE ITEMS OF THE ANNUAL REPORT HAVE BEEN EVALUATED IN ACCORDANCE WITH THE FOLLOWING ACCOUNTING PRINCIPLES:

- Assuming that the Company will continue its activities;
- By using the same evaluation methods that have been used in previous years even n case if they are established in the period between the balance date and the date of drafting the Annual Report;
- Evaluation has been performed with adequate caution, taking into account the following provisions:
  - The profit gained only till the balance date has been included into the Report;
  - All forecast risk sums and the losses incurred in the reporting year or in previous years have been taken into account, even in case, they have been established in the period between the balance date and the date of drafting the Annual Report;
  - All sums of value decrease and depreciation have been calculated and taken into account irrespectively of profit or loss at the end of the reporting year.
  - Expenses and income related to the reporting year have been included in the Profit or Loss Statement irrespectively of the date of payment and the date of receiving or issuing of the invoice. Expenses have been tuned with income in respective reporting periods;
  - The Assets and the Liabilities have been evaluated separately;
  - The balance at the beginning of the Reporting year coincides with the closing balance of the previous year;
  - All items are specified that essentially influence the evaluation or decision making by the users of the Annual Report;
  - The economic transactions of the Company have been booked and reflected, taking into account their economical contents and essence instead of only the legal form.

### CURRENCY UNIT AND RE-EVALUATION OF FOREIGN CURRENCY.

In the Annual Report and in the accounting the Latvian currency unit – a lat has been used as a currency unit and a unit of value.

All Assets and Liabilities cash items have been recalculated in lats according to the currency rate established by the Bank of Latvia at the last day of the reporting year:

	2011	2010
EUR	0,7028	0,7028

The profit or loss due to the fluctuations of the rate of foreign currencies has been reflected in the Profit or Loss Statement of the respective period.

#### LONG-TERM AND SHORT-TERM POSITIONS.

Sums of Assets have been specified in short-term assets:

- The sums envisaged for distribution or consumption within the ordinary cycle of the Company's activity.
- The sums kept for short term and are envisaged to distribute within 12 months after the rafting of the balance sheet.
- These are monies or its equivalent that have unrestricted utilisation potential.

Other assets have been classified as long-term ones.

The liability sums have been specified in Liabilities:

- The sums due within the ordinary cycle of the Company's activity.
- The sums to be paid no later than within 12 months after the balance date.

Other liabilities are classified as long-term ones.

#### INTANGIBLE ASSETS

Intangible assets mainly consist of different licenses, accounting softwares. Intangible assets have been accounted for at their initial value that is depreciated during the expedient usage time of assets by applying the linear method. For intangible assets the depreciation rate is established in the amount of 20%.

#### FIXED ASSETS

Fixed assets have been accounted at their initial value deducting accumulated depreciation and decrease of value. The depreciation of land has not been calculated. Depreciation has been calculated in the expedient usage time of assets by applying the linear method. Depreciation is calculated starting from the next month following the assets' putting into operation or involvement of assets in the economic activity. In the event if the fixed assets are sold or written-off, their initial value and accumulated depreciation are excluded from accounting, and the profit or loss from the sales or writing-off of assets are reflected in the calculation of profit or loss. The following depreciation rates have been applied for the fixed assets:

- buildings and structures from 1 to 5% per year;
- narrow-gauge railway 6,7% per year;
- peat extraction equipment and machinery, tractors, small trailers from 10 to 33% per year;
- wagons for peat removal and diesel engines 10% per year;
- computers from 20% to 33% per year.

#### EVALUATION OF STOCKS.

- Stocks – procured materials, spare parts, small/low value inventory and fuel have been evaluated by FIFO method.

- Completed products in production costs.
- Residuals of stocks have been checked during auditing.

#### DEBTS OF CUSTOMERS AND CLIENTS AND OTHER DEBTORS.

Residuals of debtors' debts have been reflected in the balance sheet in their net value calculated from the accounting value of these debts in accordance with book-keeping data by deducting the residuals of reserves formed for unsecured debts. For dubious debtors' debts, the reserves are formed in the amount of doubted sums.

#### UTILISATION OF ESTIMATION.

By preparing the Annual Report the management has to rely upon certain estimations and assumptions that influence the residuals of positions of the balance sheet and the profit and loss statement of the annual report. The estimates/calculations are used in relation to reserves, doubtful/bad debts and stocks, as well as to the determination of depreciation. Future events can influence the assumptions, basing on which the respective estimations/calculations have been made.

#### RESERVES/ACCRUALS

The accruals have been acknowledged if the Company has liabilities due to some vent in past and the possibility exists that for settling these liabilities the Company will need the outflow of economically beneficial resources and the scope of liabilities can be sufficiently reliably calculated. Within other reserves the employers' unused vacation reserve has been included in the Annual Report.

#### CASH.

Cash means the cash in bank and in cash-box.

#### ACKNOWLEDGEMENT OF INCOME

The income is acknowledged in accordance with the confidence about the potentiality to obtain economical benefit and in the amount we can justifiably determine. By acknowledging of income it is taken into consideration that the sale of goods has taken place when the Company has transferred its ownership rights to the goods and remuneration to the customer and the amount of income can be justifiably evaluated.

Annexes to the balance-sheet

1 Concessions, patents, licenses, trademarks and similar rights

No	Name	Residual on 31.12.2011		Residual on 01.01.2011.	
		LVL	EUR	LVL	EUR
1	Road transport licenses	154	219	207	295
2	Peat recovery licences	20	28	50	71
<b>Residual value</b>		<b>174</b>	<b>248</b>	<b>257</b>	<b>366</b>

2 Raw materials, basic materials and auxiliary materials

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Materials	162744	231565	61371	87324
2	Fuel	5433	7731	27849	39626
3	Low-value inventory	126	179	391	556
<b>Residual value</b>		<b>168303</b>	<b>239475</b>	<b>89611</b>	<b>127506</b>

3 Advance payments for goods

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Advance payments for materials	31342	44596	4	6
2	Advance payments for services	19388	27587	17034	24237
<b>Residual value</b>		<b>50730</b>	<b>72183</b>	<b>17038</b>	<b>24243</b>

4 Debts of clients and customers

No.	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Debts of Latvian companies	83450	118739	180782	257231
2	Debts of foreign companies	99537	141629	119263	169697
<b>Residual value</b>		<b>182987</b>	<b>260369</b>	<b>300045</b>	<b>426928</b>

5 Other debtors

No.	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Overpayment of the company's income tax	7736	11007	5690	8096
2	Overpayment of VAT	2316	3295	2061	2933
3	Other	6898	9815	21237	30218
<b>Residual value</b>		<b>16950</b>	<b>24118</b>	<b>28988</b>	<b>41246</b>



## 6 Expenses of next periods

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Insurance costs	180	256	457	650
2	Services	10996	15646	4526	6440
<b>Residual value</b>		<b>11176</b>	<b>15902</b>	<b>4983</b>	<b>7090</b>

## 7 Cash funds (TOTAL)

No	Type of cash deposition	Cash unit	Residuals in currency	Rate of the Banl of Latvia	Residual at the end of the year	
					LVL	EUR
1	Latvian banks 01.01.11	LVL	133247	1	133247	189594
2	Latvian banks 31.12.11	LVL	38921	1	38921	55380
3	Latvian banks 01.01.11	EUR	509287	,7028	357926	509287
4	Latvian banks 31.12.11	EUR	267290	,7028	187852	267290
7	The company's cash box 01.01.11	LVL	1496	1	1496	2128
8	The company's cash box 31.12.11	LVL	425	1	425	605
9	The company's cash box 01.01.11	EUR	117	,7028	82	117
10	The company's cash box 31.12.11	EUR	117	,7028	82	117
Total on 31.12.11					<b>227280</b>	<b>323392</b>
Total on 01.01.11					<b>492751</b>	<b>701126</b>

## 8 Share capoit (equity capital)

No	Name of a shareholder	Number of shares	Value of a share	Total value		The total proportion in the equity capital
				LVL	EUR	
1	LLC "Florabalt SIA"	1661617	1	1661617	2361281	92%
2	Other	138383	1	138383	199903	8%
		<b>1800000</b>		<b>1800000</b>	<b>2561184</b>	<b>100</b>

## 9 Accruals

No	Name	Residual on 31.12.2011		Residual on 01.01.2011.	
		LVL	EUR	LVL	EUR
1	Accruals for unused vacations	21700	30876	24255	36841
<b>Residual value</b>		<b>21700</b>	<b>30876</b>	<b>24255</b>	<b>36841</b>

## 10 Debts to suppliers and contractors

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Debts to Latvian companies	11144	15857	9807	13954
2	Debts to foreign companies	22283	31706	28171	40084
	inc.long terms	2728	3882	13131	18684
<b>Residual value</b>		<b>33427</b>	<b>47563</b>	<b>37978</b>	<b>54038</b>

11 The deferred tax balance sheet item does not change because there is no great probability that in future the Joint Stock Company will gain taxable profit.

12 Taxes and social security payments

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Residents' income tax	4131	5878	8644	12299
2	Nature resources' tax	76	108	74	105
3	State risk duty	15	21	19	27
4	State social insurance obligatory contributions	9251	13163	8566	12188
<b>Residual value</b>		<b>13473</b>	<b>19170</b>	<b>17303</b>	<b>24620</b>

13 Other creditors

No	Name	Residual on 31.12.11		Residual on 01.01.11	
		LVL	EUR	LVL	EUR
1	Unpaid salary	13482	19183	11470	16320
2	Other	11725	16683	345	491
	incl. reclassified advances from customers	11607	16515		
<b>Residual value</b>		<b>25207</b>	<b>35867</b>	<b>11815</b>	<b>16811</b>

Annexes to Profit and Loss Statement

14 Net turn-over

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Transactions with Latvian companies	446896	635879	501880	714115
2	Transactions with foreign companies.	448639	638359	716635	1019686
<b>Total</b>		<b>895535</b>	<b>1274239</b>	<b>1218515</b>	<b>1733801</b>

15 Production costs of sold products

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Material costs	375385	534128	336695	479077
2	Staff costs (salary and State obligatory social payments)	344745	490531	354242	504044
3	Depreciation of fixed assets	81584	116084	81314	115700
4	Other operational costs	85883	122201	66624	94798
5	Changes of tailings of the prepared products	-4042	-5751	235555	335166
<b>Total</b>		<b>883555</b>	<b>1257193</b>	<b>1074430</b>	<b>1528785</b>

16 Sales costs

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	11284	16056	12329	17543
2	Depreciation of fixed assets	2446	3480	2622	3731
3	Transportation costs	54965	78209	91022	129513
4	Other expenses	7277	10354	10341	14714
<b>Total</b>		<b>75972</b>	<b>108099</b>	<b>116314</b>	<b>165501</b>

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## Administrative expenses

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	59858	85171	59545	84725
2	Depreciation of fixed assets	1049	1493	2691	3829
3	Transportation and business trip costs	5891	8382	4490	6389
4	Other administrative expenses	66506	94630	17032	24234
	incl.expenses for the information maintenance at the stock exchange	8461	12039	5615	7989
	legal services	34344	48867		
<b>Total</b>		<b>133304</b>	<b>189676</b>	<b>83758</b>	<b>119178</b>

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## Other operational income and expenses

No	Name	Income for 2011		Expenses for 2010	
		LVL	LVL	LVL	LVL
1	Sales of purchased goods and services	67819		4898	
2	Lease of fixed assets	8150		11534	
3	Sales of fixed assets	40071			
4	Differences in currency rates		2		
5	Currency exchange	2403		2540	
6	Penalties paid		237		502
7	Supports and social targets		6228		7669
8	Other income /expenses		234		
9	Written-off debtors' debts		55542		
10	Paid percents		844		1287
11	Sale of own shares		3000		
12	Income from interest payment	5632		6647	
<b>Total</b>		<b>124075</b>	<b>66087</b>	<b>25619</b>	<b>9458</b>
		EUR	EUR	EUR	EUR
1	Sales of purchased goods and services	96498		6969	
2	Lease of fixed assets	11596		16411	
3	Sales of fixed assets	57016			
4	Differences in currency rates		2		
5	Currency exchange	3419		3614	
6	Penalties paid		337		714
7	Supports and social targets		8862		10912
8	Other income /expenses		333		
9	Written-off debtors' debts		79030		
10	Paid percents		1201		1831
11	Sale of own shares		4269		
12	Income from interest payment	8014		9458	
<b>Total</b>		<b>176544</b>	<b>94033</b>	<b>36453</b>	<b>13458</b>

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## Other interest income and similar income

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Bank interest calculated for the residual of a current account	112	158	94	134
2	Differences in currency rates			9777	13911
<b>Summa kopā</b>		<b>112</b>	<b>158</b>	<b>94</b>	<b>134</b>

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## Profit or Loss after taxes in the reporting period

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Profit after taxation in the reporting period	-160777	-228766	-45071	-64131
<b>Summa kopā</b>		<b>-160777</b>	<b>-228766</b>	<b>-45071</b>	<b>-64131</b>

## Annexes to Cash Flow Statement

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## Procurement of fixed assets and intangible investments

No	Name	Amount for 2011		Amount for 2010	
		LVL	EUR	LVL	EUR
1	Technical equipment	304448	433193	19798	28170
2	Production inventory	6228	8862	1308	1861
3	Computers, computing equipment	4589	6530	686	976
4	Llicences	150	213	264	376
5	Land, buildings			7424	10563
<b>Total</b>		<b>315415</b>	<b>448798</b>	<b>29480</b>	<b>41946</b>

## General information

## 1. Taxes

Type of taxes	Residual on 01.01.11		Calculated		Paid or moved		On 31.12.11	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Company's income tax*	-5690	-8096			2060	2931	-7750	-11027
State social obligatory contributions	8566	12188	115581	164458	114896	163483	9251	13163
VAT	-2061	-2933	-52306	-74425	-52051	-74062	-2316	3295
Residents' income tax	8644	12299	62627	89111	67140	95532	4131	5878
Nature resource tax	74	105	3682	5239	3680	5236	76	108
Real Estate tax	0	0	21581	30707	21581	30707	0	0
Risk duty	19	27	245	349	249	354	15	21
<b>Total</b>	<b>9552</b>	<b>13590</b>	<b>151410</b>	<b>215438</b>	<b>157555</b>	<b>224182</b>	<b>3407</b>	<b>11437</b>

## 2. The average number of employees

	2011	2010
The average number of employees per year	82	87
Fund of labour payment LVL	415887	426116
(salary +SSO contributions) EUR	591757	606312

## 3. Information about the off-balance liabilities

There were no off-balance liabilities and mortgages, no guarantees and pledges issued.

## 4. Cadastre value

Name of the object	LVL	EUR
Buildings, Olaine, Rīgas ielā 21	529121	752876
Buiding and Land ,Olaine, Veselības 2a	3996	5686
Buildings and land in Olaine civil parish "Gaisma"	120499	171456
<b>Total:</b>	<b>653616</b>	<b>930017</b>

**5. Significant lease agreements:**

For facilitation of the company's operation the following lease agreements are significant and in force :

1. With LLC "Rīgas meži" dated Jun 10, 2011 on the lease of land and peat fields, No. SRM-11-103 lī for the lease of 1173,3 ha , the term of the agreement –25 years.
2. SJSC "Privatizācijas aģentūra", dated August 6, 2003, the agreement on land lease No.4759-Z about the lease of 24,4332 ha in Olaine, Rīgas ielā 21, the term of the agreement - 10 years,
3. WITH SJSC "Latvijas valsts meži" dated Juli 4, 2007, the land lease agreement No.5.7-9.1./0006/150/07.06/1 about the lease of 169,5 ha .The terms of the agreement-5 years.

**6. Payment to members of advice and management.**

Members of advice and board have not received a payment.

**7. Information about a compensation to the commercial society of inspectors of oaths**

For verification of report 2011 it is paid to the auditing company "Finansists": LVL-1700

## 8. ADDITIONAL INFORMATION ABOUT SHAREHOLDERS

The Share capital of JSC “Olaines kūdra” is 1 800 000 LVL. Company’s share capital consists from 1 800 000 shares. All shares are paid. The face value of 1 share is 1 LVL. All shares have the equal rights on dividend receiving, receiving of liquidate quota and blocking right on a shareholders meeting. All 1 800 000 shares of company are dematerialized.

### Information about securities

	Share quantity, item	Share capital, LVL	% correlation to share capital
Total share quantity	1 800 000	1 800 000	
<b>incl. bearer shares</b>	<b>1 200 000</b>	<b>1 200 000</b>	<b>66.7 %</b>
included in regulated market	1 194 000	1 194 000	66.35 %
<b>ordinary (inscribed) shares</b>	<b>600 000</b>	<b>600 000</b>	<b>33.3 %</b>
included in regulated market	-	-	-

### Rights of shares

#### Dividends

The decision on the order and terms of payment of dividends accepts at shareholders meeting. After financial statement’s approval, the shareholders meeting makes a decision on use of profit of joint-stock company and, accordingly, about the amount which will be paid to shareholders as dividends and defines value of dividends. The shareholders meeting defines time and a place of dividend’s payment and informs about it Company’s shareholders according to valid rules of Latvian Central Depository which adjusts the order of dividend’s payment. All shares of JSC “Olaines kūdra” give the identical rights on dividend’s receiving proportionally face-value (nominal) of the shares belonging shareholders. Payment of dividends of JSC “Olaines kūdra” is performed according to the statutes of JSC “Olaines kūdra”, requirements of Commercial law and valid rules of Latvian Central Depository.

According to LR Commercial law’s article 161, is not allowed to calculate and to pay dividends, if from financial statements proceeds that Company’s equity is less than the paid capital. As a result the shareholder’s decision that dividends remain at the Company’s disposal is not valid, as also the company does not have right to demand back paid dividends to shareholders, except for the specified cases in LR Commercial law’s article 162.

If dividends are not taken out within 10 years, then it becomes the JSC “Olaines kūdra” ownership. For in time the dividends not taken out - % are not paid.

#### Shares with the blocking rights

Shareholders of JSC “Olaines kūdra” have all the rights stipulated by the legislation of the Latvian Republic, including blocking rights. One share has one blocking right at shareholders meeting. The quantity of blocking right corresponds with the belonging quantity of shares. Shareholders can participate in shareholders meeting and personally, and with the mediation of the representatives. The power of attorney draw’s up in written form and accompanying the protocol of meeting. The power of attorney must be submitted prior to the beginning of meeting.

#### Other rights of shares

1. Shareholders have the right, during shareholder’s meeting, to receive the approved extract of balance sheet, income statement, and auditor’s report about JSC “Olaines kūdra”, and information

about an economic condition of JSC "Olaines kūdra" in that volume in what it is necessary for consideration of corresponding item of the agenda.

2. If the shareholder at least 7 days prior to shareholder's meeting submits to board the letter of enquiry, the board should give him all necessary information on all questions included in the agenda.
3. A shareholder within one month from the date of decision-making on increase in the share capital has the right to receive new shares proportionally to belonging him quantity of shares. Term of use of the right of the first hand is one month from the date when the notice on sale is submitted to board. The shareholder can refuse in writing from the right of the first hand before the termination of the certain term.
4. Depending on quantity of shares of JSC "Olaines kūdra" which belong the shareholder, the shareholder has rights:
  - to offer his representatives on elections in Supervisory Council of JSC "Olaines kūdra". The shareholder or group of shareholders can offer so many representatives, that at division of the represented capital with a blocking right of this shareholder or group of shareholders on quantity of offered representatives, each representative would represent at least five percent of the represented capital with a blocking right of JSC "Olaines kūdra". On election of the members of Supervisory Council, each shareholder with the blocking right has the right to transfer all belonging him blocking rights for one or several representatives included in the list, in any proportion, in integers.
  - shareholders, who together represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to demand from board in written form convocation of extraordinary shareholder's meeting, in the requirement having specified the reason of convocation of meeting and the desirable agenda.
  - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right within 7 days of the announcement of convocation of shareholder's meeting and publication of its agenda or within 5 days after reception of the invitation, to demand from an institution which convokes meeting, to include any question in the agenda of meeting.
  - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right in written form, having specified the reason to demand, that Company's Supervisory Council check up work of Board. If Company's Supervisory Council will not perform such check within a month or does not give the answer, the shareholders have a right to transfer consideration of the given question to a shareholder's meeting.
  - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", at shareholder's meeting or not later than two months after shareholder's meeting can lift motivated objections against the elected auditor.
  - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", or their participation in share capital of Company is not less than 50 000 LVL, can submit the Company's claim against members of Board or Supervisory Council, or the auditor of JSC "Olaines kūdra". The claim brings an action within 3 months from the date when the requirement shareholder's minority is received. For losses which have arisen at the Company as a result of the unreasonable claim solidary answers shareholder's minority, in which action the court ascertained malicious intention and negligence.
  - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to postpone the approval of financial statements, if correctness of separate item of the financial statements is challenged.

Shareholders also have other rights stipulated in Commercial law and in other statutory acts of the Latvian Republic.

### **The rights of shareholders in case of insolvency and liquidation.**

According to LR Commercial law's article 137, the JSC "Olaines kūdra" is responsible for it's obligations with all it's property. The JSC "Olaines kūdra" is not responsible for the obligations of the shareholders. The shareholders are not responsible for the obligation of JSC "Olaines kūdra".

According to Commercial law's article 328, after satisfaction of requirements of creditors or deposition of appropriate money to them and covering of liquidating expenses, the liquidator makes final balance and the plan of separating of the remained property of the Company.

According to Commercial law's article 330, the remained property of the Company is separated among shareholders according to the made plan of property's section by liquidator, proportionally to each shareholder's share in the share capital.

**To shares no privileges are appropriated.**

**Limitations of share's rights, which proceed from obligation to inform and making share's repurchase proposal.**

According to the Law's on the Financial Instruments Market articles 61,68, 81, 83 – shareholders have such obligations:

- 1) The investor who directly or indirectly receives a share of JSC "Olaines kūdra" in that volume, which provides not less than one tenth part, one twentieth, one quarter, half, three quarters or ninety five percent from quantity of shares with the blocking right have to inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about it not later than within five working days after purchase of shares. Person specifies in the notice quantity of the received and remained shares (quantitatively, and also percentage from the share capital and percentage from quantity of shares with the blocking right), and mentions information on shares, which are let out in a public turn, and about shares which are not let out in a public turn. If participation in capital is in an indirect way, the person in the notice specifies an indirect way by which the share is received, specifies persons by means of which the share, mentions information concerning each person by means of whom the share is received in an indirect way.
- 2) If the investor sells shares or loses the blocking right of shares which are got by indirect way, and belonging blocking rights does not reach any more volume of invested, it is necessary for investor within 5 working days inform about it the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra".
- 3) If the investor does not inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about cases and in terms specified in 1 item, he cannot use the blocking right which proceeds from belonging him shares and indirectly received blocking rights. Decisions of shareholder's meeting, which are made, not legally using blocking rights - are not valid and on the basis of these decisions, it is allowed to ask to make records in any public registers.
- 4) According to the Law's on the Financial Instruments Market article 66 requirements, the person who directly or indirectly receives blocking rights from shares of JSC "Olaines kūdra" in such volume when blocking right of this shareholder at shareholder's meeting reach or exceeds half from quantity of blocking rights, has to state the offer about obligatory repurchase of shares to other shareholders of JSC "Olaines kūdra". The offer on a repurchase of shares to other shareholders it is obliged to state also that person who at shareholder's meeting on question about exception of shares of the regulated market has voted "pro". If this requirement is not executed, decisions which are accepted using these blocking rights are not valid.

**Persons, who have an essential share in the company, by direct or indirect way.**

Total shares with the blocking right - 1 800 000 item.

No.	Shareholder's name	Share quantity	% correlation to common quantity of shares with the blocking right
1.	LLC "Florabalt SIA"	1 661 617	92.31



There are no restrictions on alienation of shares.

There are not defined the special control rights to definite shareholders.

Joint-stock company doesn't know about agreements of shareholders, which would create restrictions (limitation) on transfer to shareholders belonging shares and blocking rights.

The board of the Company consists of 3 members. Chairman of Board represents the company separately. Other members of board represent the Company separately as well. Members of the board are elected for 3 years. Restrictions to members of Board of the company are not defined. Members of board are elected, and also changes in structure of Board and the statutes are done according to valid requirements of the Commercial law.

No essential agreements and contracts which became valid in case of change of the control are concluded.

Agreements between the Company and its members of Board for indemnifications in case of leaving of position are not concluded.

The audited annual statement is confirmed and signed from the 1-st till 25-th page.

Chairman of Board

Gunārs Cankalis

Members of Board

Ļubova Kazule

Verners Liniņš

March 27, 2012