JOINT STOCK COMPANY

‘’KURZEMES ATSLEGA 1’’
LV40003044007

Non-audited
FINANCIAL REPORT
31 March 2010

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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, 2010– March 31, 2010
Members of Supervisory Council	**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 Valkass -** Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic **Valdis Bikis** – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanik
Members of Board	**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
Chairman of Board	**Peteris Fridenbergs**
Auditor	Certified Auditor **Aivars Rutkis**, Certificate Nr. 18

3..Report of Direction

The activity type of Joint Stock Company "KURZEMES ATSLEGA 1" has not changed during the 1st quarter of 2010 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 242806 thousands LVL in the 1st quarter of 2010 is up by 1038 LVL or 0,43% in comparison with the same period of the last year. The first quarter of 2010 has finalized with losses in amount of 26355 LVL.

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 63,4%
- export – 36,6%.

The board considers to take tighter control over costs, to curtail expenses and find new markets to provide higher efficiency.

May 31 **2010** **Aizpute**

Statement of responsibility of direction.

Non-audited report of first quarter 2009 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 .

Responsibility for non-audited report of first quarter 2010 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board Peteris Fridenbergs

Member of the Board Andris Taurins

Member of the Board Aldis Ozols

Name of the company: JSC "KURZEMES ATSLEGA1 "

Registration Nr. 40003044007

VAT Reg. nr. LV 40003044007

Adress : **Kalvenes street 27, Aizpute, LV 3456, Latvia**

UNIT :LVL, EUR

BALANCE SHEET

On 31 March 2010.

ASSETS 1	Note nr	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
1.LONG TERM INVESTMENT					
1.Development costs		40000	50000	56915	71144
2.Concesions, patents, licenses		1957	2605	2784	3706
Total		41957	52605	59699	74850
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		388396	383072	552638	545062
2.Equipment and machinery		162666	192502	231453	273906
3.Other fixed assets		42742	49111	60816	69879
4.Fixed assets development costs		28614	33356	40714	47461
5.Prepayment for fixed assets					
II Total fixed assets		**622418**	**658041**	**885621**	**936308**
1.Total LONG TERM INVESTMENT		**664375**	**710646**	**945320**	**1011158**
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		282815	281988	402409	401233
2.Work in progress		151739	185206	215905	263524
3.Finished goods and goods for sale		129477	179535	184229	255455
5.Advance payment for goods		10616	26929	15106	38317
I. Total inventories		**574647**	**673658**	**817649**	**958529**
II. Debtors					
1.Trade debtors		106276	118603	151217	168757
4.Other debtors	1	15270	5468	21728	7780
7.Deferred expenses		60	944	85	1343
II. Total debtors		**121606**	**125015**	**173030**	**177880**
III. Securities and capital participation					
IV . Cash		9006	12095	12814	17210
2.Total current assets		**705259**	**810768**	**1003493**	**1153619**
Total assets		**1369634**	**1521414**	**1948813**	**2164777**

LIABILITIES 1	Note nr	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
1.CAPITAL					
1.Share capital	2	918144	918144	1306401	1306401
3.Revaluation reserve		15597	15597	22193	22194
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit					
a) previous years retained profit		229446	255450	326472	363473
current year profit		-26355	-24279	-37500	-34546
1Total Capital and reserves		**1136832**	**1164913**	**1617566**	**1657522**
2.PROVISIONS		21943	16078	31222	22877
3.CREDITORS					
1.Long term creditors					
Other loans	3	0	3625	0	5158
.Amounts payable to associated companies	3	0	0	0	0
Deferred tax	3	54840	56580	78030	80506
Deferred income	3	3728	7455	5304	10608
1.Total long term creditors		**58568**	**67660**	**83334**	**96272**
2.Short-term creditors					
3. Other loans	4	8056	3108	11463	4422
4..Bank loan	5	26966	58274	38369	82917
5.Advances received from customers		12007	12153	17084	17292
6.Trade creditors		49656	100025	70654	142323
8.Amounts payable to associated companies	6	5535	25765	7876	36660
10.Taxes and social security payments	7	27109	51517	38573	73302
11.Other creditors	8	17908	18193	25481	25886
Deferred income		3727	3728	5303	5304
Deferred liabilities		1327	0	1888	0
2. Total short-term creditors		152291	272763	216691	388106
Total creditors		**210859**	**340423**	**300025**	**484378**
Total liabilities		**1369634**	1521414	**1948813**	**2164777**

1 EUR 31.03.2009, 31.03.2010 0.702804

Chairman of Board: Peteris Fridenbergs

Members of Board : Andris Taurins

Aldis Ozols

JSC "KURZEMES ATSLEGA 1"
reg.No.40003044007
Taxpayer No.LV40003044007
Address : Kalvenes str.27, Aizpute

Profit or loss account

31 March 2010

N.	Item	Note nr.	31.03.10.	31.03.09	31.03.10	31.03.09
			LVL	LVL	EUR	EUR
1	Net sales	1	242806	241768	345482	344005
2	Cost of sales	2	-230495	-226420	-327965	-322167
3	Gross profit		12311	15346	17517	21835
4	Distribution expenses	3	-11509	-3108	-16376	-4422
5	Administration expenses	4	-25815	-32401	-36731	-46102
6	Other operating income	5	2332	5055	3318	7193
7	Other operating expenses	6	-3352	-6451	-4769	-9179
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes					
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		-322	-2720	-458	-3870
13	Operating profit		-26355	-24279	-37500	-34546
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-25355	-24279	-37500	-34546
16	Corporate income tax					
17	Other taxes					
18	19Net profit for the year		-26355	-24279	-37500	-34546

Chairman of Board: Peteris Fridenbergs

Members of Board : Andris Taurins

Aldis Ozols

The name of enterprise: **Joint-stock company "KURZEMES ATSLEGA 1"**

Reg.No.. **40003044007**

Address: Kalvenes street 27, Aizpute, district Liepaja, LV3456, Latvia

Cash flow statement 31 March 2010

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.03.10. LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		-26355	-24279	-37500	-34546
Corrections:		14770	17980	21016	25583
a) Wear and tear of fixed assets;		14448	15260	20558	21713
b) Value cancellation if long-term investments;					
c) Formation of reserves (except the reserves for unreliable debt);					
d) Profit or loss from fluctuation of foreign currency exchange rate;					
e) Proceeds from partnership in capital of subsidiary company and associated enterprises					
f) Proceeds from no securities and loans, that have been made long-term investment					
g) The rest of incomes and similar incomes					
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		322	2720	458	3870
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		-11585	-6299	-16911	-8963
Adjustments:		-11649	15063	-16575	21433
a) Increase or decrease of residues of debts of debtors;		-9219	39677	-13117	56455
b) Increase or decrease of residues of resources;		-29797	-43638	-42397	-62091
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		27367	19024	38934	27069
3. The gross cash flow of basic activity.		-23234	8764	-33059	12470
4. Expenses for interest payments.		-322	-2720	-458	-3870
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		23556	6044	-33517	8600
8. Cash flow from extraordinary items.					

8. The net cash flow of basic activity		**23556**	**6044**	**-33517**	**8600**

1.	2.	3.	4	5	8
			0		0
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.					
3. Purchase of fixed assets and nonmaterial investments					
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests					
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities					
III. Financing activities					

1.	2.	3.	**4**	5	**8**
			0		**0**
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		11151	1074	15866	1528
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans			-4888		-6955
5. Expenses for redemption of hired fixed assets					
6. Dividends paid	-				
7. Changes of reserves					
7. Net cash flow of financing activity		**11151**	**-3814**	**-15866**	**5427**
			0		**0**
			0		**0**
IV. The result of exchange rate fluctuations of foreign currency.		0	**0**	0	**0**
			0		**0**
V. The net cash flow of year of account		**-12405**	**2230**	**-17651**	**3173**
VI. The reminder of currency and its equivalents at the beginning of year of account.		21411	9865	30465	14037
VII. The reminder of currency and its equivalents at the end of year of account.		9006	12095	12814	17210

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
31 March 2010
(LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2008 LVL	918144	15597		264804	1198545
Current year profit				-35358	-35358
Revaluation reserve					
dividend paid					
As of 31.December 2009 LVL	918144	15597		229446	1163187
dividend paid					
Current year profit				-26355	-26355
Revaluation reserve					
As of 31March 2010LVL	918144	15597		203091	1136832

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STATEMENT OF CHANGES IN EQUITY
31 March 2010
(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2008	1306401	22193		376782	1705376
Current year profit				-50310	-50310
Revaluation reserve					
dividend paid					
As of 31.December 2009	1306401	22193		326472	1655066
dividend paid					
Current year profit				-37500	-37500
Revaluation reserve					
As of 31March 2010	1306401	22193		288972	1617566

Accounting policy

I. General principles

1. The financial report has been prepared according to law “On the Annual Accounts of Undertaking”, “Latvian Accountancy Standards” and 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.

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
Computer	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.

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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 Enterprise income tax

14.The corporate income tax for the reporting year has been calculated complying the legislative
requirements of the Republic of Latvia.

15.The value of deferred taxation is being calculated according to liability method and it refers to all differences between the value of assets and the value of liabilities in financial reports and their value used for tax calculations. The tax rate used in differed taxation calculations is the one estimated for the period when the temporary differences are expected to level out. Temporary differences are due use to different depreciation rates for fixed assets as well as due to tax loss that is to be transferred to coming reporting years as well as due to provisions for the liabilities that have been made to cover the expenses of non-used vacations. Should the total deferred taxation value be included as asset in the balance sheet, it is to be included in financial report only if there is an estimated profit expected to which the temporary differences could be referred.

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.

Information for the ‘’Balance sheet’’.

1. .Other debtors.

Kind of debtor	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Overpayment of income-tax of enterprise	0	792	0	1127
Debtors of service	6446	4378	9172	6229
Other debtors	8824	298	12555	424
Kopā	15270	5468	21727	7780

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 equities)of share capital belongs to A/S “KURZEMES ATSLEGA 1’’, reg.40003253124.

8.069 % (74092 equities)of share capital belongs to Bargain Trade Oy ,Finland Council

5.02 % (46075 equities)of share capital belongs to Rolands Livmanis

.

3.Other borrowings (long term creditors)

Creditors	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
NORD LB/Lizings	0	3625	0	5158
Deferred tax	54840	56580	78030	80506
Deferred income	3728	7455	5305	10607
Total	58568	67660	83335	96271

4. Other borrowings (Short-term creditors)

Creditors	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
NORD LB/Lizings	2490	3108	3543	4422
Others	5566	0	7920	0
Total	8056	3108	11463	4422

5. Borrowings from credit institutions.

Creditors	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
A/S NORD /LB Latvija	26966	58274	38369	82916

6.Liabilities to associated Enterprises

Business partner	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
A/S ''Kurzemes Atslega''	5535	25765	7876	36660

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Income tax of inhabitants	4610	6268	6559	8919
Obligatory payments of the state social insurance	18134	38438	25803	54692
Other tax	4365	6811	6211	9691
Total	27109	51517	38573	73302

8. The rest of creditors.

Kind of creditors	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Wages for March	14253	15939	20280	22679
Other creditors	3655	2254	5201	3207
Total	17908	18193	25481	22886

Information for the ''Profit and loss account''.

1. Net sales

Modus operandi	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Incomings from production of locks and ironmongery	222015	222632	315900	316777
Incomings from sales of goods in shop	3049	4944	4338	7035
Incomings from rendering of services	1268	117	1804	166
Incomings from rendering of public facilities	16474	14055	23440	19998
Total:	242806	241748	345482	343976

2. Production costs of sales.

The main elements of expenses	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Material costs	148345	102829	211076	146312
Wages	61438	63318	87418	90093
Obligatory payments of the state social insurance	14733	15054	20963	21420
Electrical energy	11122	8435	15825	12002
Costs of depreciation of fixed	14448	15260	20558	21713
The rest of expenses	13800	56223	19636	79998
Expenses in total	**263886**	**261119**	**375476**	371539
Correction of expenses				
Changes of remains of unfinished production	-3530	-5312	-5023	-7558
Changes of remains of self-made punches, molds and materials				
Changes of remains of complete product	-29861	-25362	-42488	-36087
Changes of remains self-made fixed assets		-4025		-5727
Total	**230495**	**226420**	**327965**	**322167**

3. Distribution expenses

The main elements of expenses	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Wages	1956	2511	2783	3573
Social expenses	468	597	666	849
Marketing Services	3786	0	5387	0
Expenditure on advertising	5299	0	7540	0
Total	11509	3108	16376	4422

4. Administration expenses.

The main elements of expenses	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Wages	19763	25328	28120	36038
Social expenses	4538	5884	6457	8372
The rest of expenses	1514	1189	2154	1692
Total	25815	32401	36731	46102

5. The rest of incomes for economic activity

Sort of revenue	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
Sales of current assets	2207	5055	3140	7193
The rest of incomes	125	0	178	0
Total	2332	5055	3318	7193

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.10 LVL	31.03.09 LVL	31.03.10 EUR	31.03.09 EUR
First cost of sold current assets	2107	3931	2998	5593
Expenses for social sphere	810	880	1153	1252
Expenses, unrelated with economic activity, donations	435	1640	619	2334
Heads of expenditure	3352	6451	4769	9179

Chairman of Board: Peteris Fridenbergs

Members of Board : Andris Taurins

Aldis Ozols