

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**ANNUAL REPORT
2009
(NON-AUDITED)**

FOR THE PERIOD
01.01.2009-31.12.2009

**Aizpute
2009**

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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, 2009– December 31, 2009
Members of Supervisory Council (until April 29.2009)	<p>Peteris Fridenbergs – Chairman of Supervisory Council</p> <p>Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, chief engineer, Technologic - Mechanic</p> <p>Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller</p> <p>Janis Valkass - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, manager of the Forged Iron shop.</p> <p>Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council</p> <p>Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist;</p> <p>Modris Moisejs-Member of Supervisory Council, "Kurzemes Atslega 1" JSC, Manager of the Electroplating Shop, Technologic-Mechanic</p> <p>Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller</p> <p>Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic</p> <p>Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanic</p>
Members of Supervisory Council (from April 29 .,2009)	
Members of Board (until April 1.,2009)	<p>Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC,, Technologic - Mechanic</p>
Members of Board (from April 1.,2009- April 17,2009)	Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC ,production manager, Technologic - Mechanic
Members of Board (from April 17.,2009- April 29,2009)	<p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC,production manager, Technologic – Mechanic</p> <p>Modris Moisejs-Member of Board, "Kurzemes Atslega 1" JSC,Manager of the Electroplating</p>

Members of Board (from April 29.,2009- May 14,2009)	Aldis Ozols , Member of Board, “Kurzemes Atslega 1” JSC,production manager, Technologic – Mechanic
Members of Board (from May 14,2009	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 until Febryary 5,2009	Valdis Bikis
Chairman of Board from Febryary 5,2009 – May 14,2009	Eriks Mikstas
Chairman of Board from May 14, 2009	Peteris Fridenbergs

2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.09 LVL	31.12.09 EUR	31.12.08 LVL	31.12.08 EUR
1.LONG TERM INVESTMENT					
1.Development expenses		40000	56915	50000	71144
2..Concesions, patents, licenses		974	1386	2605	3706
Total	4	40974	58301	52605	74850
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	5	396727	564492	385545	548581
2.Equipment and machinery	5	171216	243618	202061	287507
3.Other fixed assets	5	46635	66356	52699	74984
4.Fixed assets development costs	5	28614	40714	33356	47461
5.Prepayment for fixed assets					
II Total fixed assets		643192	915180	673661	958533
1.Total LONG TERM INVESTMENT		684161	973473	726266	1033383
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		268605	382190	271928	386919
2.Work in progress		151739	215905	178215	253577
3.Finished goods and goods for sale		96087	136719	161189	229351
5.Advance payment for goods	7	28818	41004	19388	27587
I. Total inventories		545249	775819	630720	897434
II. Debtors					
1.Trade debtors	8	105565	150205	158713	225828
4.Other debtors	9	5505	7833	5035	7164
7.Deferred expenses	10	60	85	944	1343
II. Total debtors		111130	158124	164692	234335
III. Securities and capital participation					
IV . Cash	11	21120	30051	9865	14037
2.Total current assets		677499	963994	805277	1145806
Total assets		1361660	1937468	1531543	2179189

LIABILITIES 1	Appendices	31.12.09. LVL	31.12.09 EUR	31.12.08. LVL	31.12.08 EUR
1.CAPITAL					
1.Share capital	12	918144	1306401	918144	1306401
3.Revaluation reserve	13	15597	22193	15597	22194
5.Retained profit					
a) previous years retained profit		264804	376782	255451	363474
current year profit		-31304	-44542	9353	13308
1Total Capital and reserves		1167241	1660834	1198545	1705377
2.PROVISIONS	14	21942	31221	16079	22876
Total PROVISIONS		21942	31221	16079	22876
3.CREDITORS					
1.Long term creditors					
Other loans	15			3625	5158
.Amounts payable to associated companies	16			0	0
Deferred tax	17	55836	79447	56580	80506
Deferred income	18	3728	5304	7455	10608
1.Total long term creditors		59564	84752	67660	96272
2.Short-term creditors					
3. Other loans	19	7252	10319	7996	11377
4..Bank loan	21	16701	23763	57200	81388
5.Advances received from customers		1203	1712	18543	26384
6.Trade creditors		28957	41202	68043	96816
8.Amounts payable to associated companies	22	7823	11131	27375	38951
10.Taxes and social security payments	23	18638	26519	39490	56189
11.Other creditors	24	20138	28654	20566	29263
Deferred income	25	3727	5303	3728	5304
Accrued liabilities	26	8474	12057	6318	8990
2. Total short-term creditors		112913	160661	249259	354662
Total creditors		172477	245413	316919	450934
Total liabilities		1361660	1937468	1531543	2179189

31.12.2008,31.12.2009 1EUR=0.702804 LVL

2.2.PROFIT AND LOSS ACCOUNT

December 31, 2009

Item	note	31.12.09.	31.12.09	31.12.078	31.12.08
	Nr.	LVL	EUR	LVL	EUR
Net sales	29	1177003	1674724	1766916	2514095
Cost of sales	30	1059753	1507893	1577696	2244859
Gross profit		117250	166832	189220	269236
Distribution expenses	31	29225	41583	24554	34937
Administration expenses	32	119259	169690	150551	214215
Other operating income	33	46343	65940	48709	69307
Other operating expenses	34	33525	47702	34395	48941
Operating profit		-18416	-26204	28429	40450
Income from other interest and similar incomes				29	41
Interest paid and similar expense	35	8676	12345	8712	12396
Profit before tax		-27092	-38548	19746	28099
Deferred tax income		744	1059	-5161	-7343
Other taxes		4956	7052	5232	7444
Net profit for the year		-31304	-44542	9353	13308

Earnings per stock 31.12.2008. 0.01 LVL , 0.02 EUR

Loss per stock 31.12..2009. 0.03 LVL , 0.05 EUR

2.3.Cash flow statement December 31, 2009

(Cash flow statement, prepared using indirect method)

Indices	Appe ndice s	31.12.09.	31.12.09	31.12.08.	31.12.08
		LVL	EUR	LVL	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-27092	-38548	19746	28096
Corrections:					
a) Wear and tear of fixed assets;		62693	89204	53062	75501
b) Value cancellation if long-term investments;		-19528	-27786	649	923
c) Formation of reserves (except the reserves for unreliable debt);		5863	8342	-11726	-16685
d) Profit or loss from fluctuation of foreign currency exchange rate;				-29	-41
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		8676	12345	8712	12396
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		30612	43557	70414	100190
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		53562	76212	-20029	-28499
b) Increase or decrease of residues of resources;		85471	121614	70904	100887
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-95103	-135319	-27879	39668
3. The gross cash flow of basic activity.		75542	107487	93410	132910
4. Expenses for interest payments.		-8676	-12345	-8712	-12396
5. Expenses for payments of enterprise income tax		-4956	-7052	-5232	-7444
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		60910	86667	79466	113070
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		60910	86667	79466	113070

1.	2.	3.	4.	5.	8.
II. Investing activities 1. Purchase of shares or parts of related or associated enterprises. 3. Purchase of fixed assets and nonmaterial investments 7. Entered interests 9. Net cash flow used in investing activities			0		0
		-13149	-18709	-77106	-109711
				29	41
		-13149	-18709	-77077	-109670
III. Financing activities					
1.	2.	3.	4.	5.	6.
2. Loans received 3. Financial aids, pump-priming, presents or donations received 4. Expenses for repayment of loans 6. Dividends paid 7. Changes of reserves 7. Net cash flow of financing activity					
		-36506	-51943	-20001	-28459
		-36506	-51943	-20001	-28459
IV. The result of exchange rate fluctuations of foreign currency.					
V. The net cash flow of year of account		11255	16014	-17612	-25060
VI. The reminder of currency and its equivalents at the beginning of year of account.		9865	14037	27477	39096
VII. The reminder of currency and its equivalents at the end of year of account.		21120	30051	9865	14037

2.4 STATEMENT OF CHANGES IN EQUITY

Year2009

(LVL)

	Share capital	Revaluation reserve	Retained profit	Total
AS of 31 December 2007 LVL	918144	9142	255451	1182737
Correction for deferred tax		6455		6455
Current year profit			9353	9353
As of 31 December 2008 LVL	918144	15597	264804	1198545
Correction for deferred tax				
Current year los			-31404	-31304
As of 31.december 2009 LVL	918144	15597	233500	1167241

(EUR)

	Share capital	Revaluation reserve	Retained profit	Total
AS of 31 December 2007 LVL	1306401	13008	362051	1682883
Correction for deferred tax		9185		9185
Current year profit			13308	13308
As of 31.december 2008 LVL	1306401	22193	376782	1705376
Current year los			-44542	-44542
As of 31.december 2009 LVL	1306401	22193	332240	1660835

2.5. Appendices to the Financial statements 2008-2009

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.

31.12.2008	31.12.2009	31.12.2008
USD	0.489	0.495
EUR	0.702804	0.702804
LTL	0.204	0.203
PLN	0.169	0.171

II. Earning recognition and net turnover

5. Net turnover is the total value of finished production and goods for sale as well as services provided without discounts and VAT during the year.

6. Other earnings are recognized at the moment of their origin or at the moment when legal rights on such earnings arise.

6.1. Other interest receivable and similar income is income that is not directly from the economic activity.

7. Financing from funds ERAF for realization of the scheme of grants "Support of contributions in development of the enterprises in especially supported territories" of the project "Introduction of innovative technology of spot welding of the galvanized details". is transferred to incomes during amortization.

III. Fixed assets

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

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

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

IV. Debts of debtors

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

V. Financial leasing

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

VI Inventory.

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

VII Provisions

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

General notices.(LVL)

	2009 EUR	2009 LVL	2008LVL	2008EUR
The average annual number of employees	103		188	
Personnel expenses Total	400366	569669	606443	862890
- wages	323467	460252	490340	697690
social insurance	76899	109417	116103	165120
- inter alia				
Production personnel				
- wages	224512	319452	365063	519438
social insurance	57027	81142	87055	123868
Total	281539	400594	452118	643306
The personnel of administration				
- wages	91527	130231	112243	159707
social insurance	18108	25765	25943	36914
Total	109635	155997	138186	196621
i.a. Compensation of board				
- compensation	7566	10765	12960	18440
- social insurance	1821	2591	2580	3671
Total	9387	13356	15540	22111
Compensation of Supervisory Council				
- compensation	6318	8990	5760	8196
- social insurance	1522	2166	1388	1975
Total	7840	11155	7148	10171
The personnel of sales				
- compensation	7428	10569	13034	18545
- social insurance	1754	2496	3105	4418
Total	9182	13065	16139	22963

Appendices to balance sheet..**4. Intangible fixed assets. (LVL)**

	Intangible fixed assets LVL	Development expenses LVL	Total
Purchases prices 31.12.2008	3956	50000	53956
Liquidation		1000	1000
31.12.2009	3956	40000	43596
Deprecations.	1351		1351
Purchase	1636		1636
calculated			
Deprecations. 31.12.2009	2987		2987
Balance cost 31.12.2008	2605	50000	52605
balance cost 31.12.2009	974	40000	40974

Intangible fixed assets. (EUR)

	Intangible fixed assets EUR	.Development expenses EUR	Total
Purchases prices 31.12.2008	5629	71144	76772
Liquidation		14229	14229
31.12.2009	5629	56915	62032
Deprecations. 31.12.2008	1922		1922
calculated	2328		2328
Deprecations. 31.12.2008.	4250		4250
Balance cost 31.12.2008	3707	71143	74850
balance cost 31.12.2009	1386	56915	58301

5.. Fixed assets (LVL)

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2008.LVL	676395	816594	124570	33356		1650915
to put into operation	21159	7249	8558			36966
Shift				4742		4742
Purchase prices 31.12.2009.	697554	823843	133128	28614		1683139
Deprecation 31.12.2008.	290850	614533	71871			977254
Calculated	9977	38094	14622			62693
exclude						
correction						
Depreciation 31.12.2009.	300827	652627	86493			0 1039947
Balance sheet value 31.12.2008	385545	202061	52699	33356		673661
Balance sheet value 31.12.2009.	396727	171216	46635	28614		643192

Fixed assets (EUR)

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2008.	962423	1161909	177247	47461		2349040
to put into operation	30107	10314	12177			52598
Shift				6747		6747
Purchase	0	0	0	0		0
prices	0	0	0	0		0
31.12.2009.	992530	1172223	189424	40714		2394891
Deprecation	0	0	0	0		0
31.12.2008	413842	874402	102263	0		1390507
Calculated	14196	54203	20805			89204
exclude						
correction						
Depreciation	0	0	0	0		0
31.12.2009.	428038	928605	123068			1479711
Balance sheet value 31.12.2008.	548581	287507	74984	47461		958533
Balance sheet value 31.12.2009.	564492	243618	66356	40714		915180

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	64051010122011	3536	5031	974	1386
Joinery building	64054010122012	9418	13401	6023	8570
Lean -garage	64050100122008	8765	12471	8765	12471
Production building No.2	64050100122002	16990	24175	5287	7523
Engineering-technical building	64050100122003	7793	11088	1815	2582
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	42420	60358	21949	31231
Repair shop	64050100122006	28008	39852	13756	19573
Storehouse of electrolytic components	64050100122007	45943	65371	3578	5091
Boiler house	64050100122010	17965	25562	37975	54034
Aid post of factory	64050100122013	6824	9710	3546	5045
Warehouse	64020100122014	35645	50718	13722	19525
Warehouse	64050100122015	11679	16618	288	408
The main production building with compressor substation	64050100122016	162216	230813	208500	296669
Office building	64050100122017	23445	33359	9680	13773
Neutralization building	64050100122018	3042	4328	10579	15053
Gatehouse	64050100122019	722	1027	0	0
Sawmill building	64050100122020	7427	10568	2087	2970
Transformer substation	64050100220021	3166	4505	1399	1991
Plot., Zingberga street 1, Aizpute 5621 m2	64050100008	11242	15996	3100	4411
Garage-outhouse	64050100122009	2311	3288	2311	3288
Total		448557	638239	336467	478749

7. Advance payment for goods.

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Latvija Statoil SIA	278	396	405	576
KIN KEI HARDWARE INDUSTRIES	28540	40609	18983	27011
Total	28818	41005	19388	27587

8. Trade debtors

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Trade debtors accounting value	100297	142709	164352	233852
Provisions doubtful debt	5268	7496	5639	8024
Trade debtors net value	105565	150205	169991	241876

Provisions change

	Trade debtors(LVL)	Trade debtors EUR)
Provisions 31.12.2008	5639	8024
Provisions decrease	371	528
provisions increase		
Provisions 31.12.2009	5268	7496

9. Other debtors .

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
The overpaid taxes	80	120	792	1127
Value added tax				
Personnel debts	76	108	97	138
Public utilities payment	5268	7496	3290	4681
Other debts	81	115	855	1217
Total	5505	7833	5034	7163

10. Deferred expenses.

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
subscription	60	85	230	327
accident insurance			714	1016
Other deferred expenses			0	0
Total	60	85	944	1343

11. Money resources

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Money resources in cash department	424	603	266	378
Money resources in bank	20696	29448	9599	13658
Total	21120	30051	9865	14036

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

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

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

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

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

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13. Revaluation reserve.

Item	Revaluation reserve (LVL)	Revaluation reserve (EUR)
Balance 31.12.2008	15597	22193
increase		
decrease		
Balance 31.12.2009	15597	22193

14. PROVISIONS

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Provisions for not used holiday	21942	31221	16079	22878
Total	21942	31221	16079	22878

15. Other creditors (long term)

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Total other creditors(long term)	0		3625	5158
Short-term part				
Long-term part net i.f.				
DnB NORD Līzings			3625	5158
Nordic Environment Finance Corporation	0			

17. Deferred tax liabilities

Item	31.12.08. LVL	31.12.08. EUR	31.12.08. LVL	31.12.08. EUR
Deferred tax liabilities	56580	80506	51419	73163
Incomes of reduction Deferred tax liabilities	-744	-1059	5161	7343
Total	55836	-79447	56580	80506

18 Deferred income (long term)

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Financing from funds ERAF	3728	5304	7455	10608

19. Other creditors (short term.)

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
DnB NORD Līzings	3652	5196	4163	5923
Nordic Environment Finance Corporation	3600	5122	3833	5454
Total	7252	10319	7996	11377

21. Bank credit (short term)

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
AS DnB NORD BANKA	16701	23763	57200	81388

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

22 Liabilities to associated Enterprises short term)

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254	7823	11131	27375	38951

23. Movement taxes 2009. LVL

Kind of taxes	balance 31.12.2008. LVL	calculated 2009.g. LVL	paid s 2009.g. LVL	To direct for other taxes LVL	balance 31.12.2009. LVL
Obligatory payments of the state social insurance	23489	107571	114961	-5228	10871
Income tax of inhabitants	4605	42968	44019		3554
value added tax	10193	57914	68356	4436	4187
real estate tax	1198	4956	6154		
Enterprise income tax	-792			792	
Tax to natural resources	2	531	617		-84
Business risk fee	3	334	311		26
Total	38698	214274	234418	0	18554

i.a.

Overpayment taxes 84

Liability taxes 18638

Movement taxes 2009. EUR

Kind of taxes	balance 31.12.2008. LVL	calculated 2009.g. LVL	paid s 2009.g. LVL	To direct for other taxes LVL	balance 31.12.2009. LVL
Obligatory payments of the state social insurance	33420	153060	163575	-7439	15466
Income tax of inhabitants	6553	61138	62633		5058
value added tax	14503	82404	97262	6312	5958
real estate tax	1704	7052	8756		
Enterprise income tax	-1127			1227	
Tax to natural		756			

resources	3		878		-120
Business risk fee	5	475	443		37
Total	55061	304885	333547	0	26399

Int.al.:

Overpayment taxes 120

Liability taxes 26519

24. The rest of creditors.

Kind of creditors	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Wages for December	16079	22878	18421	26211
harm recompense	1084	1542	890	1266
Deduction from wages			0	0
Other creditors	2975	4233	1255	1786
Total	20138	28654	20566	29263

25. Deferred income

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Proceeds of the part of ERDF funding	3727	5303	3728	5304

26. Accrued liabilities.

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Expenses of audit of the year 2008. LLC "Revidentu serviss"	1200	1707	600	854
JSC Latvenergo	7274	10350	5718	8136
Total	8474	12057	6318	8990

Total remuneration LLC "Revidentu Serviss" for auditing of the annual accounts of the year 2009 makes 1452 LVL (VAT included)

27. Transactions with associated persons

Name of the associated person	Materials purchased from associated person in 2009.g.LVL	Materials purchased from associated person in 2009.g.EUR
JSC "KURZEMES ATSLĒGA" Registration No. 40003123254	35631	50698
Among it		
Long-term debts to associated enterprise		
Short-term debts to associated enterprise	35631	50698

28. Financial risk management..

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

Financial Risks

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

Foreign currency risk

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

Interest rate risk

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

Credit risk

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

Appendices for profit and loss account**29.Net sales**

Modus operandi	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Incomings from production of locks and ironmongery	1147298	1632458	1742457	2479293
Incomings from rendering of services	29705	42266	24459	34802
Total:	1177003	1674724	1766916	2514095

The distribution of net sales by countries

		<i>sales proceeds</i>		<i>sales proceeds</i>	
		2009.g. (Thousand LVL)	2008.g.(Thousand LVL)	2009.g.(Thousand EUR)	2008.g.(Thousand EUR)
1	Latvia	732.6	980.2	1042.4	1394.7
1	Lithuania	268	355.9	381.3	506.4
2	Ukraine	0	84.1	0	119.7
3	Estonia	98.3	125.8	139.9	179.0
4	Russia	18.1	101.1	25.8	143.9
5	Germany	8.4	16.1	12	22.9
6	Finland	0	2.8	0	4.0
7	Kyrgyzstan	0	31.8	0	45.2
8	Uzbekistan	50.4	69.1	71.7	98.3
9	Island	1.2		1.7	
	Total:	1177.0	1766.9	1674.7	2514.1

30. Production costs of sales.

The main elements of expenses	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Material costs	464452	660856	925103	1316303
Wages	224511	319450	366263	521145
Obligatory payments of the state social insurance	57027	81142	87123	123965
Electrical energy	48535	69059	67550	96115
Costs of depreciation of fixed	62693	89204	53062	75500
The rest of expenses	125467	178523	74088	105418
Expenses in total	982685	1398235	1573189	2238446
Correction of expenses				0
Changes of remains of unfinished production	26476	37672	28970	41221
Changes of remains of self-made punches, molds and materials	-13359	-19008	-27024	-38452
Changes of remains of complete product	65540	93255	23554	33514
Changes of remains self-made fixed assets	-1589	-2261	-20993	-29870
Total	1059753	1507893	1577696	2244859

31.. Distribution expenses

The main elements of expenses	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Wages	7428	10569	13034	18546
Social expenses	1754	2496	3105	4418
The rest of expenses	20043	28519	8415	11973
Total	29225	41583	24554	34937

32.. Administration expenses.

The main elements of expenses	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Wages	91257	129847	112243	159707
Social expenses	18108	25765	25943	36914
The rest of expenses	8694	12370	11765	16740
Provisions	1200	1707	600	854
Total	119259	169690	150551	214215

33. The rest of incomes for economic activity

Sort of revenue	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Sales of current assets	9533	13564	30342	43173
Incomes from exchange rate fluctuations			1982	2820
The rest of incomes			11726	16685
Others income	35810	50953	4659	6629
Total	45343	64517	48709	69307

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

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Expenses for social sphere	5171	7358	3760	5350
Expenses, unrelated with economic activity, donations	11206	15945	13651	19424
average from exchange rate fluctuations.	104	148	0	0
Revaluation reserve			0	0
harm recompense	13792	19624	13180	18753
Other expenses	3252	4627	3804	5413
Total	33525	47702	34395	48940

35. Interest, interest cover

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
interest	6824	9710	8066	11477
interest cover	1852	2635	646	919
Total	8676	12345	8712	12396

Report of Direction.

The activity type of Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the last years: door locks, ironware, furniture fittings, forged products, production tools etc.

The stock capital of the JSC “KURZEMES ATSLEGA 1” amounts 918144 LVL, the net turnover is 1177.0 k LVL, loss 31.3 k LVL.

Net turnover in 2009 in comparison with 2008 is reduced down to 33.4%

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 62.2%
- export – 37.8%

The average number of employees in December 31, 2009 was 103, the average salary in 2009 was 273 LVL. In 2008 the average number of employees was 188, average salary 259 LVL.

The average salary has increased for 5,4 % in comparison with the same period last year.

Important events after the accounting period

During the period after accounting report till its 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, regulary controls the cash flow of the enterprise. Active work with collection of fiscal debts is being provided. Financial resources – credit and leasing, are being attracted.

JSC “KURZEMES ATSLEGA 1” policy for 2010

1. The main goal is to increase the sales proceeds and to achieve the results of 2008.
2. To continue and improve the possibilities to get the orders, different than the basic activity type of the company – production of the door locks.

3. To reduce the costs of the production by paying more attention on optimization of the manufacturing and saving power resources.
4. To take part in open competitions organized by EU:
 - a. in the direction of energy efficiency upgrade in manufacturing premises;
 - b. for construction of cogeneration station;
 - c. for marketing purposes taking part in trade fairs both in Latvia and abroad.
5. To pay more attention on manufacturing equipment, its technical condition, repairs and efficiency of the processes.
6. To link all the departments of the factory in the common information network.

Calculation of indices of the Financial results

Liquidity ratio.

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

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

$$\text{Year 2009} \quad (677499:112913)=6.0$$

$$\text{Year 2008} \quad (805277 : 249259) = 3.23$$

Quick ratio =

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

$$\text{Year 2009} \quad (132250:112913)=1.17$$

$$\text{Year 2008} \quad (174557 : 249259)= 0.70$$

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

$$\text{Year 2009} \quad (21120:112913)=0.2$$

$$\text{Year 2008} \quad (9865 : 249259) = 0.04$$

Liability ratio.

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

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

$$\text{Year 2009 } (172477:1361660)=0.13$$

$$\text{Year 2008 } (316919 : 1531543) = 0.21$$

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

$$\text{Year 2009 } (172477:1167241)=0.15$$

$$\text{Year 2008 } (316919 : 1198545) = 0.26$$

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

$$\text{Year 2009 } (1189183:1361660)=0.87$$

$$\text{Year 2008 } (1198545: 1531543) = 0.78$$

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

$$\text{Year 2009 } (172477:1167241)=0.15$$

$$\text{Year 2008 } (316919 : 1198545) = 0.26$$

Activity ratio.

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

$$\text{Year 2009 } (1059753:587095)=1.8$$

$$\text{Year 2008 } (1577696: 666172) = 2.4$$

Profitability ratios:

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

Year 2009 $(-31304 \times 100 : 1177003) = -2.66$

Year 2008 $(9353 \times 100 : 1766916) = 0.53 \%$

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

Year 2009 $(-31304 \times 100 : 1182893) = 2.65\%$

Year 2008 $(9353 \times 100 : 1190641) = 0.8 \%$

Chairman of the Board Peteris Fridenbergs

Member of the Board Andris Tauriņš

Member of the Board Aldis Ozols

February 26, 2010

Aizpute

Statement of responsibility of direction.

Non-audited report of 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/losses.

Responsibility for non-audited annual report of year 2009 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	Andris Tauriņš
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Member of the Board	Aldis Ozols
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