

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9 MONTHS
OF THE YEAR 2010
(NON-AUDITED)**

Contents

1.Information on enterprise	3
2.Report of Direction and Statement of responsibility of direction	4
3. Balance sheet	6
4. Profit and loss account	8
5. Cash flow statement	9
6. Statement of changes in equity	11
7. Accounting policy	13
8. Information for the “Balance sheet”	15
9. Information for the ”Profit and loss account’	17

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	1 January 2010 – 30 September 2010
Members of Supervisory Council (from Mai 10 .2010)	<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>Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant</p> <p>Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic</p> <p>Valdis Bīķis –Member of Supervisory Council, KURZEMES ATSLEGA 1", Technical consultant, Technologic-mechanic</p>
Members of Board (from May 14,2009)	<p>Andris Taurins – Member of Board, "Kurzemes Atslega 1", JSC, chief engineer, Technologic – Mechanic</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production manager, Technologic – Mechanic</p>
Chairman of Board(from May 14, 2009)	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 last 9 months of 2010 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 929493 LVL.

Net turnover is up by 13.5% in comparison with the first nine month of the last year. Negative profit makes 44265 LVL as at September 30, 2010.

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 62.4%
- export – 37,6%.

The average number of employees in first 9 months of the 2009 was 105, average wage 268 LVL. The average number of employees of the same period of 2010 was 101, average wage 286. The average salary this year is up by 6.7% in comparison with last year.

Taking in consider that the further development of the enterprise depends on circumstances that cannot be influenced by management, but mainly by total economical situation in Latvia, the board reserves its opinion of concrete actions and forecasts of development indices for the future.

Statement of responsibility of direction.

Non-audited report of the first 9 months 2010 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 the first 9 months 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

BALANCE SHEET FOR 9 MONTHS OF 2010

ASSETS 1	Row code	30.09.10. LVL	30.09.09. LVL	30.09.10 EUR	30.09.09. EUR
1.LONG TERM INVESTMENT					
1.Concessions, patents, licenses		1957	2605	2784	3706
2. Expenses of development		40000	50000	56915	71144
Total		41957	52605	59699	74850
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		383347	399284	545454	568130
2.Equipment and machinery		148804	174168	211729	247819
3.Other fixed assets		38483	51211	54756	72867
4.Fixed assets development costs		28478	32451	40521	46174
5.Prepayment for fixed assets					
II Total fixed assets		599112	657114	852460	934989
1.Total LONG TERM INVESTMENT		641069	709719	912159	1009840
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		304415	268579	433144	382153
2.Work in progress		153267	156688	218079	222947
3.Finished goods and goods for sale		89375	131151	127169	186611
5.Advance payment for goods		24692	10295	35134	14648
I. Total inventories		571749	566713	813526	806359
II. Debtors					
1.Trade debtors	1	123472	148621	175685	211469
4.Other debtors		2150	597	3059	849
7.Deferred expenses		60	944	85	1343
II. Total debtors		125682	150162	178829	213661
III. Securities and capital participation					
IV . Cash		15409	21208	21925	30176
2.Total current assets		712840	738083	1014280	1050197
Total assets		1353909	1447802	1926439	2060037

1 EUR 30.09.2008.30.09.2009 0.702804

LIABILITIES 1	Row code	30.09.10 LVL	30.09.09. LVL	30.09.10 EUR	30.09.09 EUR
1.CAPITAL					
1.Share capital	2	918144	918144	1306401	1306401
3.Revaluation reserve		15597	15597	22193	22193
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit					
a) previous years retained profit		229445	264804	326471	376782
current year profit		-44265	-31480	-62984	-44792
1Total Capital and reserves		1118921	1167065	1592081	1660584
2.PROVISIONS		21944	16079	31223	22878
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	3727	7455	5303	10608
1.Total long term creditors		58567	67660	83333	96272
2.Short-term creditors					
3. Other loans	4	3672	4596	5225	6540
4..Bank loan	5	39460	45157	56147	64253
5.Advances received from customers		4009	17826	5704	25364
6.Trade creditors		63073	56266	89745	80059
8.Amounts payable to associated companies	6	1490	17707	2120	25195
10.Taxes and social security payments	7	19610	30585	27903	43519
11.Other creditors	8	18108	21134	25765	30071
Deferred income		3728	3727	5304	5303
Deferred liabilities		1327		1888	
2. Total short-term creditors		154477	196998	219801	280303
Total creditors		213044	264658	303134	376574
Total liabilities		1353909	1447802	1926439	2060037

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

Profit or loss account
FOR 9 MONTHS 2010

N.	Item	line No	30.09.10	30.09.09.	30.09.10.	30.09.09.
			LVL	LVL	EUR	EUR
1	Net sales	1	929492	818993	1322548	1165322
2	Cost of sales	2	-849665	-740200	-1208964	-1053210
3	Gross profit		79827	78793	113584	112112
4	Distribution expenses	3	-41594	-11763	-59183	-16737
5	Administration expenses	4	-80569	-94571	-114639	-134562
6	Other operating income	5	19325	28159	27497	40067
7	Other operating expenses	6	-15450	-21919	-21983	-31188
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		-1020	-6611	-1452	-9407
13	Operating profit		-39481	-27912	-56176	-39715
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-39481	-27912	-56176	-39715
16	Corporate income tax					
17	Other taxes		-4784	-3568	-6807	-5077
18	19Net profit for the year		-44265	-31480	-62983	-44792

Losses per stock 30.09.2009. 0.03 LVL, 0.04 EUR

Losses per stock 30.09.2010. 0.05 LVL, 0.07 EUR

The name of enterprise:

Joint-stock company "KURZEMES ATSLEGA 1"

Reg.No..

40003044007

Address:

Kalvenes street 27, Aizpute, LV3456, Latvia

CASH FLOW STATEMENT FOR 9 MONTHS OF 2010

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	30.09.10.	30.09.09.	30.09.10.	30.09.09.
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		-39481	-27912	-56176	-39715
Corrections:		44203	32543	62895	46305
a) Wear and tear of fixed assets;		43183	47091	61444	67004
b) Value cancellation if long-term investments;			-21159		-30106
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		1020	6611	1451	9407
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		4722	4631	6719	6590
Adjustments:		-18754	41738	-26685	59388
a) Increase or decrease of residues of debts of debtors;		-13295	14530	-18917	20674
b) Increase or decrease of residues of resources;		-26899	64007	-38274	91074
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		21440	-36799	30506	-52360
3. The gross cash flow of basic activity.		-14032	46369	-19966	65978
4. Expenses for interest payments.		-1020	-6611	-1451	-9407
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-4784	-3568	-6807	-5077
7. Cash flow before extraordinary items.		-19836	36190	-28244	51494
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		-19836	36190	-28224	51984

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		-5429	-9404	-7725	-13381
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		-5429	-9404	-7725	-13381
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		19263	3600	27409	5122
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans			-19043		-27096
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		19263	-15443	27409	-21974
			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		-6002	11343	-8540	16139
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.		15409	21208	21925	30176

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 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 2009LVL	918144	15597		229446	1163187
dividend paid					
Current year profit				-44265	-44265
Revaluation reserve					
As of 30 September 2010LVL	918144	15597		185181	1118922

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STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 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				-62983	-62983
Revaluation reserve					
As of 30 September 2010	1306401	22193		263489	1592083

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 recognised 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.

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 deferred 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.Trade debtors.

	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Trade debtors	118176	154260	168149	219492
Reserve for debts	5296	5639	7536	8023
Net Value trade debtors	123472	148621	175685	211469

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.

Council 9.5 % (87199 equities)of share capital belongs to Rolands Livmanis.

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

3.Other borrowings (long term creditors)

Creditors	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
NORD LB/Lizings	0	3625	0	5158
Deferred tax	54840	56580	78030	80506
Deferred income	3727	7455	5303	10608
Total	58567	67660	83333	96272

4. Other borrowings (Short-term creditors)

Creditors	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
NORD LB/Lizings	306	996	435	1417
Other creditors	3366	3600	4789	5122
Total	3672	4596	5224	6539

5. Borrowings from credit institutions.

Creditors	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
A/S NORD /LB Latvija	39460	45157	56147	64253

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Income tax of inhabitants	4770	6125	6787	8715
Obligatory payments of the state social insurance	9901	11871	14088	16891
Value added tax	4009	11127	5705	15832
Other tax	930	1462	1323	2080
Total	19610	30585	27903	43518

7. The rest of creditors.

Kind of creditors	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Wages for September	14995	15456	21336	21992
Other creditors	3113	5678	4429	8079
Total	18108	21134	25765	30071

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Incomings from production of locks and ironmongery	891641	781984	1268691	1112663
Incomings from sales of goods in shop	15745	18647	22403	26532
Incomings from rendering of services	4218	2646	6002	3765
Incomings from rendering of public facilities	17888	15716	25452	22362
Total:	929492	818993	1322548	1165322

2. Production costs of sales.

The main elements of expenses	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Material costs	483512	329330	687976	468564
Wages	190809	165347	271496	235268
Obligatory payments of the state social insurance	45638	39982	64937	56889
Electrical energy	38463	30196	54728	42965
Costs of depreciation of fixed	43183	47091	61444	67004
The rest of expenses	58088	86691	82652	109122
Expenses in total	859693	688637	1223233	979842
Correction of expenses				0
Changes of remains of unfinished production	-1528	21526	-2174	30629
Changes of remains of self-made punches, molds and materials	-15213	0	-21646	0
Changes of remains of complete product	6713	30037	9551	42739
Total	849665	740200	1208964	1053210

3. Distribution expenses

The main elements of expenses	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Wages	6639	7000	9446	9960
Social expenses	1573	1651	2238	2349
	25597	2400	36422	3415
The rest of expenses	7785	712	11077	1013
Total	41594	11763	59183	16737

4. Administration expenses.

The main elements of expenses	30.06.10. LVL	30.06.09. LVL	30.06.10. EUR	30.06.09. EUR
Wages	59931	72668	85274	103397
Social expenses	14000	15418	19920	21938
The rest of expenses	6638	6485	9445	9227
Total	80569	94571	114639	134562

5. The rest of incomes for economic activity

Sort of revenue	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
Sales of current assets	9008	7000	12817	9960
Sales of Fixed assets	0	21159	0	30107
The rest of incomes	10317	0	14680	0
Total	19325	28159	27497	40067

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.10. LVL	30.09.09. LVL	30.09.10. EUR	30.09.09. EUR
First cost of sold current assets				
Expenses for social sphere	10699	4572	15223	6505
Expenses, unrelated with economic activity, donations	4751	17347	6760	24683
Heads of expenditure	15450	21919	21983	31188

Chairman of Board:

Peteris Fridenbergs

Members of Board:

Andris Tauriņš

Aldis Ozols

