

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**FINANCIAL REPORT FOR FIRST 6 MONTHS
OF THE YEAR 2011
(NON-AUDITED)**

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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	1 January 2011 – 30 June 2011
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 action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st half-year of 2011 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 736531 LVL in the 1st half-year of 2011 is up by 21.6% in comparison with the same period of the last year. The first half-year of 2011 has finalized with profit in amount of 5132 LVL.

Volume of sold production is divides as follows:

- sold in local market (Latvia) – 66.5%,
- export – 33.5 %

In the 1st half-year of 2010 volume of sold production divided as follows:

- sold in local market (Latvia) – 63.3%,
- export – 36.7 %

Currently 112 employees are being engaged in enterprise.

To achieve profitable activity, the board considers taking tight control over costs and should curtail expenses. Work on market expansion is being continued.

Statement of responsibility of direction.

Non-audited report of the first 6 months 2011 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 6 months 2011 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 Taurins
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Member of the Board	Aldis Ozols
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BALANCE SHEET FOR 6 MONTHS OF 2011

ASSETS 1	Row code	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
1.LONG TERM INVESTMENT					
1.Expenses of development		30000	40000	42686	56915
2.Concessions, patents, licenses		1308	1956	1861	2783
Total		31308	41956	44547	59698
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		389620	385850	554379	549015
2.Equipment and machinery		126740	157196	180335	223670
3.Other fixed assets		33450	41850	47595	59547
4.Fixed assets development costs		28819	28478	41006	40521
5.Prepayment for fixed assets					
II Total fixed assets		578629	613374	823315	872753
1.Total LONG TERM INVESTMENT		609937	655330	867862	932451
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		300347	258683	427355	368073
2.Work in progress		157674	150321	224350	213888
3.Finished goods and goods for sale		104459	110960	148632	157881
5.Advance payment for goods		54804	20494	77979	29160
I. Total inventories		617284	540458	878316	769002
II. Debtors					
1.Trade debtors		163723	169271	232957	240852
4.Other debtors		5095	2635	7249	3749
7.Deferred expenses		194	60	276	85
II. Total debtors		169012	171966	240482	244686
III. Securities and capital participation					
IV . Cash		18546	22494	26389	32006
2.Total current assets		804842	734918	1145187	1045694
Total assets		1414779	1390248	2013049	1978145

LIABILITIES 1	Row code	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
1.CAPITAL					
1.Share capital	1	918144	918144	1306401	1306401
3.Revaluation reserve		15597	15597	22192	22192
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit		213674	231355	304031	329189
a) previous years retained profit		208542	229445	296729	326471
b)current year profit		5132	1910	7302	2718
1Total Capital and reserves		1147415	1165096	1632624	1657782
2.PROVISIONS		19246	21942	27385	31221
3.CREDITORS					
1.Long term creditors					
Other loans					
.Amounts payable to associated companies					
Deferred tax		60278	54840	85768	78030
Deferred income		0	3727	0	5303
1.Total long term creditors	2	60278	58567	85768	83333
2.Short-term creditors					
3. Other loans	3	5931	5770	8439	8210
4..Bank loan	4	15372	30948	21872	44035
5.Advances received from customers		4800	4373	6830	6222
6.Trade creditors		112494	56834	160065	80868
8.Amounts payable to associated companies					
10.Taxes and social security payments	5	27380	26100	38958	37137
11.Other creditors	6	17536	16890	24951	24032
Deferred income		3727	3728	5303	5305
Deferred liabilities		600		854	
2. Total short-term creditors		187840	144643	267272	205808
Total creditors		248118	203210	353040	289142
Total liabilities		1414779	1390248	2013049	1978145

1 EUR 30.06.2010 ,30.06.2011 0.702804 LVL

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

Profit or loss account
FOR 6 MONTHS 2011

N.	Item	line No	30.06.2011	30.06.2010	30.06.2011	30.06.2010
			LVL	LVL	EUR	EUR
1	Net sales	1	736531	605488	1047989	861532
2	Cost of sales	2	(659253)	(511867)	(938032)	(728321)
3	Gross profit		77278	93621	109957	133211
4	Distribution expenses	3	(22752)	(30024)	(32374)	(42721)
5	Administration expenses	4	(56024)	(53150)	(79715)	(75626)
6	Other operating income	5	26993	1246	38407	1773
7	Other operating expenses	6	(14371)	(9019)	(20448)	(12833)
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes		4	14	6	20
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		(1051)	(656)	(1495)	(933)
13	Operating profit		10077	2032	14338	2891
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		10077	2032	14338	2891
16	Corporate income tax					
17	Other taxes		(4945)	(122)	(7036)	(173)
18	Deferred tax					
18	19Net profit for the year		5132	1910	7302	2718

Chairman of Board:

Peteris Fridenbergis

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 FOR 6 MONTHS OF 2011

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.06.2011	30.06.2010	30.06.2011	30.06.2010
		LVL	LVL	EUR	EUR
2	1.				5
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		10077	2032	14338	2891
Corrections:		28313	29436	40286	41884
a) Wear and tear of fixed assets;		27262	28780	38791	40950
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		1051	656	1495	934
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		38390	31468	54624	44775
Adjustments:		-26573	-37168	-37810	-52885
a) Increase or decrease of residues of debts of debtors;		-40188	-59579	-57182	-84773
b) Increase or decrease of residues of resources;		-46906	4392	-66741	6249
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		60521	18019	86113	25639
3. The gross cash flow of basic activity.		11817	-5700	16814	-8110
4. Expenses for interest payments.		-1051	-656	-1495	-933
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-4945	-122	-7036	-174
7. Cash flow before extraordinary items.		5821	-6478	8283	-9217
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		5821	-6478	8283	-9217

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		-6203	-5288	-8827	-7524
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		-6203	-5288	-8827	-7524
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		-16050	12849	22837	18282
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans					
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-16050	12849	-22837	18282
			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		-16432	1083	-23381	1541
VI. The reminder of currency and its equivalents at the beginning of year of account.		34978	21411	49769	30465
VII. The reminder of currency and its equivalents at the end of year of account.		18546	22494	26388	32006

JSC "KURZEMES ATSLEGA 1"
 reg.No.40003044007
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STATEMENT OF CHANGES IN EQUITY
FOR 6 MONTHS OF 2011,
 (LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2009 LVL	918144	15597		229446	1163187
Current year profit				-20904	-20904
Revaluation reserve					
dividend paid					
As of 31.December 2010LVL	918144	15597		208542	1142283
dividend paid					
Current year profit				5132	5132
Revaluation reserve					
As of 30 June 2010LVL	918144	15597		231674	1147415

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY

FOR 6 MONTHS OF 2011

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2009	1306401	22193		326472	1655066
Current year profit				-29744	-29744
Revaluation reserve					
dividend paid					
As of 31.December 2010	1306401	22193		296728	1625322
dividend paid					
Current year profit				7302	7302
Revaluation reserve					
As of 30 June 2009	1306401	22193		304030	1632624

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.

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.

1.Information for the ‘Balance sheet’.

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

- in public returns 656356 ,- 71.5%
- in closed register 261788.- 28.5%

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

9.5 % (87199equites) of share capital belongs to Rolands Livmanis

2.Other borrowings (long term creditors)

Creditors	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Deferred tax	60278	54840	85768	78030
Deferred income	0	3727	0	5303
Total	60278	58567	85768	83333

3. Other borrowings (Short-term creditors)

Creditors	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
NORD LB/Lizings	0	1404	0	1998
Other	5931	4366	8439	6212
Total	5931	5770	8439	8210

4. Borrowings from credit institutions.

Creditors	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
A/S DnB NORD BANKA	15372	30948	21872	44035

5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Income tax of inhabitants	4412	4636	6278	6596
Obligatory payments of the state social insurance	11129	9345	15835	13297
Other tax	11839	12119	16845	17244
Total	27380	26100	38958	37137

6. The rest of creditors.

Kind of creditors	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Wages for June	15652	13066	22271	18591
Other creditors	1884	3824	2680	5441
Total	17536	16890	24951	24032

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Incomings from production of locks and ironmongery	713129	574585	1014691	817561
Incomings from rendering of services	23402	30903	33298	43971
Total:	736531	605488	1047989	861532

2. Production costs of sales.

The main elements of expenses	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Material costs	389737	282929	554546	402572
Wages	137105	123464	195083	175673
Obligatory payments of the state social insurance	32803	29559	46674	42059
Electrical energy	27833	25377	39603	36108
Costs of depreciation of fixed	25453	26950	36216	38346
The rest of expenses	54223	37043	77153	52708
Expenses in total	667154	525322	949275	747466
Correction of expenses				
Changes of remains of unfinished production	-4523	1417	-6437	2016
Changes of remains of self-made punches, molds and materials	-6121	0	-8709	0
Changes of remains of complete product	2743	-14872	3903	-21161
Changes of remains self-made fixed assets	0	0	0	0
Total	659253	511867	938032	728321

3. Distribution expenses

The main elements of expenses	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Wages	5195	4205	7392	5983
Social expenses	1235	999	1757	1422
Marketing Services	15868	18490	22578	26309
The rest of expenses	454	6330	646	9007
Total	22752	30024	32373	42721

4. Administration expenses.

The main elements of expenses	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Wages	42477	39471	60439	56162
Social expenses	10073	9062	14333	12894
The rest of expenses	3474	4617	4943	6570
Total	56024	53150	79715	75626

5. The rest of incomes for economic activity

Sort of revenue	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Sales of current assets	6326	0	9001	0
The rest of incomes	20667	1246	29406	1773
Total	26993	1246	38407	1773

6. The rest of expenses for economic activity of enterprise

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Heads of expenditure				
Expenses for social sphere	2073	1629	2950	2318
Expenses, unrelated with economic activity, donations	6622	7390	9422	10515
Other	5676	0	8076	0
Heads of expenditure	14371	9019	20448	12833

Chairman of Board:

Peteris Fridenbergis

Members of Board :

Andris Taurins

Aldis Ozols