JOINT STOCK COMPANY

‘’KURZEMES ATSLEGA 1’’
LV40003044007

FINANCIAL REPORT FOR FIRST 6 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 June 2010**
Members of Supervisory Council (from Mai 10 .2010)	**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-Mechanic **Irena Burve – Member of Supervisory Council** "Kurzemes Atslega 1", Chief Accountant **Janis Valkašs - Member of Supervisory Council**, "Kurzemes Atslega 1", JSC, Technologic - Mechanic **Valdis Biķis** –Member of Supervisory Council, KURZEMES ATSLEGA 1", Technical consultant, 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(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 quarter of 2010 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 605488 thousands LVL in the 1st quarter of 2010 is up by 16.2% in comparison with the same period of the last year. The first quarter of 2010 has finalized with profit in amount of 1910 LVL.

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 63,3%
- export – 36.7 %

In the 1st quarter of 2009 volume of sold production is divided as follows:

- sold in local market (Latvia) – 55.2%
- export – 44.8 %

Currently 105 employees are being engaged in enterprise.

To achieve profitable activity, the board considers to take tighter control over costs and to curtail expenses.

Work on market expansion is being continued.

Statement of responsibility of direction.

Non-audited report of the first 6 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 6 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 6 MONTHS OF 2010

ASSETS 1	Row code	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
1.LONG TERM INVESTMENT					
1.Expenses of development		40000	50000	56915	71144
2.Concesions, patents, licenses		1956	2605	2783	3706
Total		**41956**	**52605**	**59698**	**74850**
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		385850	380598	549015	541542
2.Equipment and machinery		157196	185886	223670	264492
3.Other fixed assets		41850	45514	59547	64761
4.Fixed assets development costs		28478	35573	40521	50616
5.Prepayment for fixed assets					
II Total fixed assets		**613374**	**647571**	**872753**	**921411**
1.Total LONG TERM INVESTMENT		**655330**	**700176**	**932451**	**996261**
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		258683	272763	368073	388107
2.Work in progress		150321	167935	213888	238950
3.Finished goods and goods for sale		110960	145989	157881	207724
5.Advance payment for goods		20494	3465	29160	4930
I. Total inventories		**540458**	**590152**	**769002**	**839711**
II. Debtors					
1.Trade debtors		169271	105697	240852	150393
4.Other debtors		2635	1196	3749	1702
7.Deferred expenses		60	472	85	671
II. Total debtors		**171966**	**107365**	**244686**	**152766**
III. Securities and capital participation					
IV . Cash		22494	23063	32006	32816
2.Total current assets		**734918**	**720580**	**1045694**	**1025293**
Total assets		**1390248**	**1420756**	**1978145**	**2021554**

LIABILITIES 1	Row code	**30.06.2010** LVL	**30.06.2009** LVL	**30.06.2010** EUR	**30.06.2009** 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		231355		329189	
a) previous years retained profit		229445	264804	326471	376782
b)current year profit		1910	-13563	2718	-19298
1Total Capital and reserves		**1165096**	**1184982**	**1657782**	**1686077**
2.PROVISIONS		21942	16079	31221	22878
3.CREDITORS					
1.Long term creditors					
Other loans			3625		5158
.Amounts payable to associated companies			0		0
Deferred tax		54840	56580	78030	80506
Deferred income		3727	7455	5303	10608
1.Total long term creditors	2	**58567**	**67660**	**83333**	**96272**
2.Short-term creditors					
3. Other loans	3	5770	2082	8210	2962
4..Bank loan	4	30948	26530	44035	37749
5.Advances received from customers		4373	15581	6222	22170
6.Trade creditors		56834	33992	80868	48366
8.Amounts payable to associated companies			26028		37035
10.Taxes and social security payments	5	26100	28286	37137	40247
11.Other creditors	6	16890	17672	24032	25145
Deferred income		3728	1864	5305	2652
Deferred liabilities					
2. Total short-term creditors		144643	152035	205808	216326
Total creditors		**203210**	**219695**	**289142**	**312598**
Total liabilities		**1390248**	**1420756**	**1978145**	**2021554**

1 EUR 30.06.2009 ,30.06.2010 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 2010

N.	Item	line No	30.06.2010	30.06.2009	30.06.2010	30.06.2009
			LVL	LVL	EUR	EUR
1	Net sales	1	605488	521023	861532	741349
2	Cost of sales	2	(511867)	(448842)	(728321)	(638645)
3	Gross profit		93621	72181	133211	102704
4	Distribution expenses	3	(30024)	(6623)	(42721)	(9424)
5	Administration expenses	4	(53150)	(64284)	(75626)	(91468)
6	Other operating income	5	1246	9938	1773	14141
7	Other operating expenses	6	(9019)	(18812)	(12833)	(26767)
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes		14		20	
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		(656)	(4663)	(933)	(6635)
13	Operating profit		2032	-12263	2891	-17449
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		2032	-12263	2891	-17449
16	Corporate income tax					
17	Other taxes		(122)	(1300)	(173)	(1850)
18	Defrred tax					
18	19Net profit for the year		1910	-13563	2718	-19298

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 FOR 6 MONTHS OF 2010

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.06.10	30.06.2009	30.06.2010	30.06.2009
			LVL		EUR
2	1.		3.		5
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		2032	-12253	2891	-17434
Corrections:		29436	58969	41884	83905
a) Wear and tear of fixed assets;		28780	30948	40950	44035
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		656	4663	934	6635
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		31468	23358	44775	33235
Adjustments:		-37168	37255	-52885	53009
a) Increase or decrease of residues of debts of debtors;		-59579	57327	-84773	81569
b) Increase or decrease of residues of resources;		4392	40568	6249	57723
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		18019	-60640	25639	-86283
3. The gross cash flow of basic activity.		-5700	60703	-8110	86373
4. Expenses for interest payments.		-656	-4663	-933	-6635
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-122	-1300	-174	-1850
7. Cash flow before extraordinary items.		-6478	54740	-9217	77888
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		**-6478**	**54740**	**-9217**	**77888**

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		-5288	-4958	-7524	-7055
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		**-5288**	**-4958**	**-7524**	**-7055**

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		12849		18282	
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans			-36584		-52054
5. Expenses for redemption of hired fixed assets					
6. Dividends paid	-				
7. Changes of reserves					
7. Net cash flow of financing activity		**12849**	**-36584**	**18282**	**-52054**
			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		**1083**	**13198**	**1541**	**18779**
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.		22494	23063	32006	37084

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

STATEMENT OF CHANGES IN EQUITY
FOR 6 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				1910	1910
Revaluation reserve					
As of 30 June 2010LVL	918144	15597		231356	1165097

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

STATEMENT OF CHANGES IN EQUITY
FOR 6 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 2008	1306401	22193		326472	1655066
dividend paid					
Current year profit				2718	2718
Revaluation reserve					
As of 30 June 2009	1306401	22193		329190	1657784

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 ,
- in closed register 261788.

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

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

8.069 % (74092 equities) of share capital belongs to Bargain Trade Oy ,Finland and its sole shareholder Esa Haponen

.

2.Other borrowings (long term creditors)

Creditors	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
NORD LB/Lizings		3625		5158
Deferred tax	54840	56580	78030	80506
Deferred income	3727	7455	5303	10608
Total	**58567**	**67660**	**83333**	**96272**

3. Other borrowings (Short-term creditors)

Creditors	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
NORD LB/Lizings	1404	2082	1998	2962
Other	4366		6212	
Total	**5770**	**2082**	**8210**	**2962**

4. Borrowings from credit institutions.

Creditors	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
A/S NORD /LB Latvija	30948	26530	44035	37749

5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Income tax of inhabitants	4636	2698	6596	3839
Obligatory payments of the state social insurance	9345	15145	13297	21549
Other tax	12119	10443	17244	14859
Total	**26100**	**28286**	**37137**	**40247**

6. The rest of creditors.

Kind of creditors	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Wages for June	13066	15416	18591	21935
Other creditors	3824	2256	5441	3210
Total	**16890**	**17672**	**24032**	**25145**

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

1. Net sales

Modus operandi	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
Incomings from production of locks and ironmongery	574585	503525	817561	716452
Incomings from rendering of services	30903	17498	43971	24897
Total:	**605488**	**521023**	**861532**	**741349**

2. Production costs of sales.

The main elements of expenses	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
Material costs	282929	177676	402572	252810
Wages	123464	109246	175673	155443
Obligatory payments of the state social insurance	29559	26481	42059	37679
Electrical energy	25377	18816	36108	26773
Costs of depreciation of fixed	26950	30948	38346	44035
The rest of expenses	37043	72295	52708	102867
Expenses in total	**525322**	**435462**	**747466**	**619607**
Correction of expenses				
Changes of remains of unfinished production	1417	15200	2016	21628
Changes of remains of self-made punches, molds and materials		-6900		-9818
Changes of remains of complete product	-14872	10280	-21161	14627
Changes of remains self-made fixed assets		-5200		-7399
Total	**511867**	**448842**	**728321**	**638645**

3. Distribution expenses

The main elements of expenses	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
Wages	4205	5260	5983	7484
Social expenses	999	1267	1422	1803
Marketing Services	18490		26309	
The rest of expenses	6330	96	9007	137
Total	30024	6623	42721	9424

4. Administration expenses.

The main elements of expenses	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
Wages	39471	50152	56162	71360
Social expenses	9062	10222	12894	14545
The rest of expenses	4617	4450	6570	6331
Total	53150	64824	75626	92236

5. The rest of incomes for economic activity

Sort of revenue	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
Sales of current assets	0	7386	0	10509
The rest of incomes	1246	2552	1773	3632
Total	1246	9938	1773	14141

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	**30.06.2010 LVL**	**30.06.2009 LVL**	**30.06.2010 EUR**	**30.06.2009 EUR**
First cost of sold current assets	0	9270		13190
Expenses for social sphere	1629	1634	2318	2325
Expenses, unrelated with economic activity, donations	7390	7908	10515	11252
Heads of expenditure	9019	18812	12833	26767

Chairman of Board: Peteris Fridenbergs

Members of Board : Andris Taurins

Aldis Ozols