

JOINT STOCK COMPANY

“KURZEMES ATSLEGA 1”

LV40003044007

ANNUAL REPORT

2010

(NON-AUDITED)

FOR THE PERIOD
01.01.2010-31.12.2010

Aizpute
2011

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1.Information on enterprise.

State registration Nr. and date	000304400 February 1996. Dropped from Register of Companies 2004.11.06. "KURZEMES ATSLEGA 1" JSC, had been enrolled in Commercial Register June 1, 2004 with identification number Nr. 40003044007
Registration number of VAT	LV 40003044007, January 22, 1997
The name of enterprise and address	Joint stock company "KURZEMES ATSLEGA 1" Kalvenes street 27, Aizpute LV 3456, Latvia
Financial period	January 1, 2010– December 31, 2010
Members of Supervisory Council (until May 10.2010.resolution nr 6-12/102766) Members of Supervisory Council (from May 10.2010 resolution nr6-12/58076)	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 Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanik 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 Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanik Irena Burve - Member of Supervisory Council , "Kurzemes Atslega 1", JSC, Chief Accountant
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(resolution nr 6-12/68528)	Peteris Fridenbergs
Auditor	Aivars Rutkis Certificante No 18, SIA "Revidentu serviss" licence No 15

2. Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 2010 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools, services of galvanization provided etc.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 1296.1 thousand LVL, loss 9.7 thousand LVL, loss per 1 share – 0.01LVL

Net turnover in 2010 is up by 10.1% in comparison with 2009. Although rate of production has rise, the company finalizes 2010 with losses. That should be explained with tangible rise of prices on raw materials, leaving the production prices intact.

Volume of sold production is divides as follows:

- sold in local market (Latvia) – 60.4%,
- export – 39.6 %

Average number of employees in 2010 was 102, average salary average salary - 287 LVL. In 2009 average number of employees was 103, average salary 273 LVL.

In comparison with corresponding period of previous period, average salary is up by 5.1%.

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, regularly 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 2011

- 1. The realization price of production should be balanced with the still increasing prices of raw materials and energy.**
- 2. Should go on with investments on optimization of industrial premises and energy saving.**
- 3. To rise the productivity.**
- 4. To rise the realization of products in Lithuania and Uzbekistan by 20%.**
- 5. To continue the development of cogeneration project.**

To cover the losses as advised by the Board.

The Board of the company proposes to cover the losses of 9696 LVL with the profit of previous years.

February 28, 2010

Aizpute

Statement of responsibility of direction.

Non-audited report of 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/losses.

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

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenbergis
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Member of the Board	Andris Tauriņš
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Member of the Board	Aldis Ozols
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2.2.PROFIT AND LOSS ACCOUNT

December 31, 2010

Item	note	31.12.2010.	31.12.2010.	31.12.2009.	31.12.2009
	Nr.	LVL	EUR	LVL	EUR
Net sales	1	1296133	1844231	1176958	1674660
Cost of sales	2	1155065	1643509	1065645	1516276
Gross profit		141068	200722	111313	158384
Distribution expenses	3	51003	72571	29258	41630
Administration expenses	4	109144	155298	119259	169690
Other operating income	5	39000	55492	47352	67376
Other operating expenses	6	22643	32218	33374	47488
Operating profit		-2722	-3873	-23226	-33048
Income from other interest and similar incomes		41	58	24	34
Interest paid and similar expense	7	2065	2938	8939	12719
Profit before tax		-4746	-6753	-32141	-45733
Deferred tax income				1740	2476
Other taxes		4950	7043	4957	7053
Net profit for the year		-9696	-13796	-35358	-50310

The accompanying notes on pages 17.-19. are an integral part of these financial statements

Loss per stock 31.12.2010. 0.01LVL , 0.02UR

Loss per stock 31.12..2009. 0.04 LVL , 0.06 EUR

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board Peteris Fridenbergis

Member of the Board Andris Tauriņš

Member of the Board Aldis Ozols

2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.2010. LVL	31.12.2010. EUR	31.12.2009 LVL	31.12.2009 EUR
1.LONG TERM INVESTMENT					
1.Development expenses		30000	42686	40000	56915
2..Concesions, patents, licenses		1308	1861	1957	2784
Total	1	31308	44547	41957	59699
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	4	394581	561438	390942	556260
2.Equipment and machinery		140612	200073	170970	243268
3.Other fixed assets		36017	51247	46340	65936
4.Fixed assets development costs		28478	40521	28614	40714
5.Prepayment for fixed assets					
II Total fixed assets	3	599688	853279	636866	906179
1.Total LONG TERM INVESTMENT		630996	897826	678823	965878
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		299459	426092	268302	381759
2.Work in progress		153386	218249	151739	215905
3.Finished goods and goods for sale		107202	152534	96087	136719
5.Advance payment for goods	5	18003	25616	28722	40868
I. Total inventories		578050	822491	544850	775252
II. Debtors					
1.Trade debtors	6	121463	172826	106429	151435
4.Other debtors	7	7168	10199	5898	8392
7.Deferred expenses	8	194	276	60	85
II. Total debtors		128825	183301	112387	159912
III. Securities and capital participation					
IV . Cash	9	34978	49769	21411	30465
2.Total current assets		741853	1055561	678648	965629
Total assets		1372849	1953388	1357471	1931507

LIABILITIES 1	Appendices	31.12.2010. LVL	31.12.2010. EUR	31.12.09. LVL	31.12.09. EUR
1.CAPITAL					
1.Share capital	10	918144	1306401	918144	1306401
3.Revaluation reserve	11	15597	22193	15597	22193
5.Retained profit					
a) previous years retained profit		229446	326472	264804	376782
current year profit		-9696	-13796	-35358	-50310
1Total Capital and reserves		1153491	1641270	1163187	1655066
2.PROVISIONS	12	19246	27385	21942	31221
Total PROVISIONS		19246	27385	21942	31221
3.CREDITORS					
1.Long term creditors					
Other loans		0	0	0	0
.Amounts payable to associated companies		0	0	0	0
Deferred tax	13	52989	75397	54840	78030
Deferred income	14	3727	5303	3727	5303
1.Total long term creditors		56716	80700	58567	83333
2.Short-term creditors					
3. Other loans	15	9341	13291	7162	10191
4..Bank loan	16	28180	40096	16707	23772
5.Advances received from customers		2697	3837	1104	1571
6.Trade creditors		35664	50745	29032	41309
8.Amounts payable to associated companies	17	17534	24949	7819	11125
10.Taxes and social security payments	18	17978	25581	19498	27743
11.Other creditors	19	19784	28150	20250	28813
Deferred income	20	3728	5304	3728	5304
Accrued liabilities	21	8490	12080	8475	12059
2. Total short-term creditors		143396	204033	113775	161887
Total creditors		200112	284733	172342	245221
Total liabilities		1372849	1953388	1357471	1931507

31.12.2010,31.12.2009 1EUR=0.702804 LVL

The accompanying notes on pages 20.-30.are an integral part of these financial stataments

2.3.Cash flow statement December 31, 2010

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	31.12.10.	31.12.10.	31.12.09.	31.12.09
		LVL	EUR	LVL	EUR
2	1.			3.	4
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-4746	-6753	-32141	-45733
Corrections:					
a) Wear and tear of fixed assets;		57204	81394	68966	98130
b) Value cancellation if long-term investments;		10648	15151	10502	14943
c) Formation of reserves (except the reserves for unreliable debt);		-4547	-6470	5863	8342
d) Profit or loss from fluctuation of foreign currency exchange rate;		-41	-58	-24	-34
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		2065	2938	8939	12719
j) income from sale of fixed assets		0	0	-11623	-16538
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		60583	86202	29478	41943
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		-16438	-23389	52305	74423
b) Increase or decrease of residues of resources;		-33200	-47239	85870	122182
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		15969	22721	-94157	-133973
3. The gross cash flow of basic activity.		26914	38295	73496	104575
4. Expenses for interests payments.		-2065	-2938	-8939	-12719
5. Expenses for payments of enterprise income tax		-4950	-7043	-4957	-7053
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		19899	28314	59600	84803
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		19899	28314	59600	84803

1.	2.	.		3	4
0	0				0
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.		-20025	-28493	-18374	-26144
3. Purchase of fixed assets and nonmaterial investments					
3. Entered interests		41	58	24	34
4 income from sale of fixed assets		0	0	11623	16538
9. Net cash flow used in investing activities		-19984	-28435	-6727	-9572
III. Financing activities					
1.	2.			3	4
2. Loans received		13652	19425		
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans				-41327	-58803
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity				-41327	-58803
		13652	19425	-41327	-58803
IV. The result of exchange rate fluctuations of foreign currency.					
V. The net cash flow of year of account		13567	19304	11546	16428
VI. The reminder of currency and its equivalents at the beginning of year of account.		21411	30465	9865	14037
VII. The reminder of currency and its equivalents at the end of year of account.		34978	49769	21411	30465

2.5 STATEMENT OF CHANGES IN EQUITY

Year 2010

(LVL)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2008 LVL	918144	15597		264804	1198545
Year of account loss			-35358		-35358
Correction for deferred tax					
As of 31 December 2009 LVL	918144	15597	-35358	264804	1163187
Correction for deferred tax					
Year 2009 Current year loss			35358	-35358	0
Current year loss			-9696		-9696
As of 31.december 2010 LVL	918144	15597	-9696	229446	1153491

(EUR)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2008LVL	1306401	22193		376782	1705376
Year of account loss			-50310		-50310
Correction for deferred tax					
As of 31 December 2009 LVL	1306401	22193	-50310	376782	1655066
Correction for deferred tax					
Year 2009 of account loss			50310	-50310	0
Current year loss			-13796		-13796
As of 31.december 2010 LVL	1306401	22193	-13796	326472	1641270

2.5. Appendices to the Financial statements 2010-2009

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.

	31.12.2010.	31.12.2009
USD	0.535	0.489
EUR	0.702804	0.702804
LTL	0.204	0.204

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)

	2010.LVL	2010.EUR	2009 LVL	2009 EUR
The average annual number of employees	102		103	
Personnel expenses Total	430452	612478	400356	569655
- wages	347701	494734	323466	460250
social insurance	82751	117744	76890	109405
- inter alia				
Production personnel				
- wages	258113	367262	224511	319450
social insurance	61575	87613	57028	81144
Total	319688	454875	281539	400594
The personnel of administration				
- wages	80686	114806	91527	130232
social insurance	19068	27131	18108	25765
Total	99754	141937	109635	155997
i.a. Compensation of board				
- compensation	8078	11494	7566	10765
- social insurance	2673	3803	1821	2591
Total	10751	15297	9387	13356
Compensation of Supervisory Council				
- compensation	5939	8450	6318	8990
- social insurance	1725	2454	1522	2165
Total	7664	10904	7840	11155
The personnel of sales				
- compensation	8902	12666	7428	10569
- social insurance	2108	2999	1754	2496
Total	11010	15665	9182	13065

Appendices for profit and loss account**1.Net sales**

Modus operandi	31.12.2010 LVL	31.12.2010 EUR	31.12.2009. LVL	31.12.2009. EUR
Incomings from production of locks and ironmongery	1265769	1801027	1147239	1632374
Incomings from rendering of services	30364	43204	29719	42286
Total:	1296133	1844231	1176958	1674660

The distribution of net sales by countries

		<i>sales proceeds</i>		<i>sales proceeds</i>	
		2010.g.(Thousand LVL)	2009.g. (Thousand LVL)	2010.g.(Thousand EUR)	2009.g.(Thousand EUR)
1	Latvia	782.6	733.8	1113.5	1044
2	Lithuania	277.2	268	394.4	381
3	Estonia	81.9	98.3	116.5	140
4	Uzbekistan	64.9	50.4	92.3	72
5	Ukraine	30.7	0	43.7	0
6	Russia	21.6	18.1	30.7	26
7	Beliza	24.8	0	32.3	
8	Germany	11.4	8.4	16.2	12
9	Finland	1.0	0		0
10	Island	0	1.2	1.4	1.7
	Total:	1296.1	1177.0	1844.2	1676

2. Production costs of sales.

The main elements of expenses	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Material costs	657825	936001	456752	649900
Wages	258113	367262	224593	319567
Obligatory payments of the state social insurance	61575	87613	57027	81142
Electrical energy	62024	88252	48535	69059
Costs of depreciation of fixed	67853	96546	68966	98130
The rest of expenses	87918	125096	136495	194214
Expenses in total	1195308	1700770	992368	1412012
Correction of expenses				
Changes of remains of unfinished production	-1647	-2343	26476	37672
Changes of remains of self-made punches, molds and materials	-26308	-37433	-13359	-19008
Changes of remains of complete product	-11010	-15666	65540	93255
Changes of remains self-made fixed assets	-1278	-1818	-5380	-7655
Total	1155065	1643509	1065645	1516276

3. Distribution expenses

The main elements of expenses	31.12.2010. LVL	31.12.2010 . EUR	31.12.2009 LVL	31.12.2009 EUR
Wages	8902	12666	7428	10569
Social expenses	2108	2999	1755	2497
The rest of expenses	7790	11084	4877	6939
Marketing Services	32203	45821	15198	21625
Total	51003	72571	29258	41630

4. Administration expenses.

The main elements of expenses	31.12.2010. LVL	31.12.2010 . EUR	31.12.2009 LVL	31.12.2009 EUR
Wages	80686	114806	91527	130232
Social expenses	19068	27131	18108	25765
The rest of expenses	8390	11938	8424	11986
Provisions	1000	1423	1200	1707
Total	109144	155298	119259	169690

5. The rest of incomes for economic activity

Sort of revenue	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Sales of current assets	14381	20462	9479	13487
Incomes from exchange rate fluctuations	5156	7336	593	844
The rest of incomes	4898	6969	343	488
Others income	14565	20724	36937	52557
Total	39000	55492	47352	67376

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

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Expenses for social sphere	3693	5254	5171	7358
Expenses, unrelated with economic activity, donations	957	1362	14409	20502
Revaluation reserve				
harm recompense	13257	18863	13794	19627
Other expenses	4736	6739		
Total	22643	32218	33374	47487

7. Interest, interest cover

	31.12.2010 LVL	31.12.2010 EUR	31.12.2009. LVL	31.12.2009. EUR
interest	1575	2241	6824	9710
interest cover	490	697	2115	3009
Total	2065	2938	8939	12719

Appendices to balance sheet..

1. Intangible fixed assets. (LVL)

	Intangible fixed assets LVL	Development expenses LVL	Total
Purchases prices 31.12.2009	3956	50000	53956
Liquidation			
31.12.2009	3956	50000	53956
Deprecations.	1999	10000	11999
Purchase			
calculated	649	10000	10649
Deprecations. 31.12.2010	2648	20000	22648
Balance cost 31.12.2009	1957	40000	41957
balance cost 31.12.2010	1308	30000	31308

Intangible fixed assets. (EUR)

	Intangible fixed assets EUR	.Development expenses EUR	Total
Purchases prices 31.12.2009	5629	71143	76772
Liquidation			
31.12.2009	5629	71143	76772
Deprecations. 31.12.2009	2844	14229	17073
calculated	923	14229	15152
Deprecations. 31.12.2010	3767	28458	32225
Balance cost 31.12.2009	2785	56914	59699
balance cost 31.12.2010	1861	42686	44547

2. Fixed asset liquidation

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Fixed asset acquisition value	0	0	90068	128155
Accumulated depreciation	0	0	90068	128155
Loss from liquidation of fixed assets	0	0	0	0

3. Fixed assets (LVL)

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2009.LVL	660249	780834	123322	28614		1593019
to put into operation	13714	2721	3728			20163
Shift				136		136
Purchase prices 31.12.2010.	673963	783555	127050	28478		1613046
Deprecation 31.12.2009.	269307	609864	76982			956153
Calculated	10075	33078	14051			57204
exclude				136		136
correction						
Depreciation 31.12.2010.	279382	642942	91033			1013357
Balance sheet value 31.12.2009	390942	170970	46340	28614		636866
Balance sheet value 31.12.2010.	394581	140612	36017	28478		599688

Fixed assets (EUR)

	plots, buildings	Technolo gical equipme nt	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2009.	939450	1111027	175471	40714		2266662
to put into operation	19513	3872	5304			28689
Shift				194		194
Purchase prices 31.12.2010.	0 0 958963	0 0 1114898	0 0 180776	0 0 40521		0 0 2295158
Deprecation 31.12.2009	0 383189	0 867758	0 109536	0 0		0 1360483
Calculated	14335	47066	19993			81394
exclude				194		194
correction						
Depreciation 31.12.2010.	0 397525	0 914824	0 129528	0		0 1441877
Balance sheet value 31.12.2009.	556260	243268	65936	40714		906178
Balance sheet value 31.12.2010.	561438	200073	51248	40521		853279

4. 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	1248	1776	4965	7065
Joinery building	64054010122012	6849	9745	8548	12162
Lean -garage	64050100122008	6374	9069	6191	8809
Production building No.2	64050100122002	12743	18132	4935	18132
Engineering-technical building	64050100122003	5668	8065	1694	2410
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	30851	43897	15490	22040
Repair shop	64050100122006	21006	29889	12839	18268
Storehouse of electrolytic components	64050100122007	32160	45760	3340	4752
Boiler house	64050100122010	13174	18745	35443	50431
Aid post of factory	64050100122013	4477	6370	3320	4723
Warehouse	64020100122014	24951	35502	8781	12494
Warehouse	64050100122015	8175	11632	269	383
The main production building with compressor substation	64050100122016	121662	173109	194601	276892
Office building	64050100122017	16668	23716	9034	12854
Neutralization building	64050100122018	2282	3247	9874	14049
Gatehouse	64050100122019	195	277	0	0
Sawmill building	64050100122020	5901	8396	1948	2772
Transformer substation	64050100220021	1357	1931	1300	1850
Plot, Zingberga street 1, Aizpute 5621 m2	64050100008	4362	6207	3100	4411
Garage-outhouse	64050100122009	1681	2392	1827	2600
Total		321784	457857	327499	465989

5. Advance payment for goods.

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Latvija Statoil SIA	512	728	307	437
Wuxi GMB intern. Corporation	14964	21292	28415	40431
Champion Fastener Limited	2527	3396	0	0
Total	18003	25616	28722	40868

6. Trade debtors

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Trade debtors accounting value	126616	180158	101161	143939
Provisions doubtful debt	5153	7332	5268	7496
Trade debtors net value	121463	172826	106429	151435

Change in provision for doubtful receivables

	Trade debtors(LVL)	Trade debtors EUR)
Provisions 31.12.2009	5268	7496
Provisions decrease	324	461
provisions increase	208	296
Provisions 31.12.2010	5152	7331

7. Other debtors .

Item	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
The overpaid taxes	0	0	0	0
Personnel debts	408	581	230	327
Public utilities payment	6200	8822	4232	6022
Other debts	560	796	1436	2043
Total	7168	10199	5898	8392

8. Deferred expenses.

	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
subscription	194	276	60	85
accident insurance				
Other deferred expenses				
Total	194	276	60	85

9. Money resources

	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
Money resources in cash department	612	871	424	603
Money resources in bank	34366	48898	20987	29862
Total	34978	49769	21411	30465

10. 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.

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

11. Long-term investment revaluation reserve.

Item	Long-term investment revaluation reserve (LVL)	Long-term investment revaluation reserve (EUR)
Balance 31.12.2009	15597	22193
increase		
decrease		
Balance 31.12.2010	15597	22193

12. PROVISIONS

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Provisions for not used holiday	19246	27385	21942	31221
Total	19246	27385	21942	31221

13. Deferred tax liabilities

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Deferred tax liabilities	54840	78030	56580	80506
Incomes of reduction Deferred tax liabilities	1851	2633	-1740	-2476
Total	52989	75397	54840	78030

14 Deferred income (long term)

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Financing from funds ERAF	3727	5303	3727	5303

15. Other creditors (short term.)

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
DnB NORD Līzings	0		3562	5069
Other creditors	9341	13291	3600	5122
Total	9341	13291	7162	10191

16. Bank credit (short term)

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
AS DnB NORD BANKA	28180	40097	16707	23772

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

17 Liabilities to associated Enterprises short term)

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254	17534	24949	7819	11125

18. Movement taxes 2010. LVL

Kind of taxes	balance 31.12.2009. LVL	calculated 2010.g. LVL	paid s 2010.g. LVL	To direct for other taxes LVL	balance 31.12.2010. LVL
Obligatory payments of the state social insurance	10870	114672	114947		10595
Income tax of inhabitants	3554	58236	56497		5293
value added tax	4897	53808	56784		1921
real estate tax		4846	4846		
Enterprise income tax					
Tax to natural resources	151	463	473		141
Business risk fee	26	323	321		28
Total	19498	232348	233868	0	17978

i.a.

Overpayment taxes

Liability taxes 17978

Movement taxes 2010. EUR

Kind of taxes	balance 31.12.2009. LVL	calculated 2010.g. LVL	paid s 2010.g. LVL	To direct for other taxes LVL	balance 31.12.2010. LVL
Obligatory payments of the state social insurance	15467	163164	163555		15076
Income tax of inhabitants	5057	82862	80388		7531
value added tax	6968	76562	80796		2733
real estate tax		6895	6895		
Enterprise income tax					
Tax to natural resources	215	659	673		201
Business risk fee	37	460	457		40
Total	27744	330602	332764	0	25581

Int.al.:

Overpayment taxes

Liability taxes 25581

19. The rest of creditors.

Kind of creditors	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Wages for December	16504	23483	16329	23234
harm recompense	1067	1518	1085	1544
Deduction from wages	129	184	407	579
Other creditors	2084	2965	2429	3456
Total	19784	28150	20250	28813

20. Deferred income

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Proceeds of the part of ERDF funding	3728	5304	3728	5304

21. Accrued liabilities.

Item	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Expenses of audit of the year 2008. LLC "Revidentu serviss"	600	854	1200	1707
JSC Latvenergo	6807	9685	5412	7701
SIA "Aizputes atslēgas"	1000	1423	1735	2469
Other	83	118	128	182
Total	8490	12080	8475	12059

Total remuneration LLC "Revidentu Serviss" for auditing of the annual accounts of the year 2010 makes 1210 LVL (VAT included)

22. 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	69172	98423
Among it		
Long-term debts to associated enterprise		
Short-term debts to associated enterprise	0	0

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.

Calculation of indices of the Financial results**Liquidity ratio.**

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

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

$$\text{Year 2010 } (741853:143396)=5.17$$

$$\text{Year 2009 } (678648 :113775)=5.96$$

Quick ratio =

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

Year 2010 (163803:143396)=1.14

Year 2009 (133798 : 113775)=1.18

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

Year 2010 (34978 : 143396)=0.24

Year 2009 (21411:113775)=0.19

Liability ratio.

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

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

Year 2010 (200112 : 1372849)=0.14

Year 2009 (172342:1357471)=0.13

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

Year 2010 (200112 : 1153491)=0.17

Year 2009 (172342:1163187)=0.15

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

Year 2010 (1153491: 1372849)=0.84

Year 2009 (1163187:1357471)=0.86

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

Year 2010 (200112 : 1153491)=0.17

Year 2009 (172342:1163187)=0.15

Activity ratio.

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

Year 2010 (1155065 : 561450)=2.06

Year 2009 (1065645:587785)=1.81

Profitability ratios:

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

Year 2010 (-9696 x 100 : 1296133)= -0.75 %

Year 2009 (-35358 x 100:1176958)=-3 %

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

Year 2010 (-9696 x 100 : 1158339)= -0.83%

Year 2009 (-35358 x 100:1180866)= - 2.99%

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Chairman of the Board Peteris Fridenbergs

Member of the Board Andris Tauriņš

Member of the Board Aldis Ozols