

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**Non-audited
FINANCIAL REPORT
31 March 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, 2011– March 31, 2011
Members of Supervisory Council	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", chief accountant
Members of Board	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	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 1st quarter of 2011 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 334550 thousands LVL in the 1st quarter of 2010 is up by 91744 LVL or 37.8% in comparison with the same period of the last year. The first quarter of 2011 has finalized with losses in amount of 10208 LVL.

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 62%
- export – 38%.

The board considers to take tighter control over costs, to curtail expenses and find new markets to provide higher efficiency.

May 31 2011

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 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 first quarter 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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Name of the company: JSC "KURZEMES ATSLEGA1 "

Registration Nr. 40003044007

VAT Reg. nr. LV 40003044007

Adress : Kalvenes -27, Aizpute, LV 3456, Latvia

UNIT :LVL, EUR

BALANCE SHEET

On 31 March 2011.

ASSETS 1	Note nr	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
1.LONG TERM INVESTMENT					
1.Development costs		30000	40000	42686	56915
2.Concesions, patents, licences		1308	1957	1861	2784
Total		31308	41957	44547	59699
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		392100	388396	557908	552638
2.Equipment and machinery		132819	162666	188984	231453
3.Other fixed assets		33184	42742	47217	60816
4.Fixed assets development costs		28478	28614	40521	40714
5.Prepayment for fixed assets					
II Total fixed assets		586581	622418	834630	885621
1.Total LONG TERM INVESTMENT		617889	664375	879177	945320
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		312431	282815	444549	402409
2. Work in progress		157200	151739	223675	215905
3.Finished goods and goods for sale		106246	129477	151174	184229
5.Advance payment for goods		21077	10616	29990	15106
I. Total inventories		596954	574647	849388	817649
II. Debtors					
1.Trade debtors		138999	106276	197778	151217
4.Other debtors	1	7863	15270	11188	21728
7.Deferred expenses		194	60	276	85
II. Total debtors		147056	121606	209242	173030
III. Securities and capital participation					
IV . Cash		17432	9006	24804	12814
2.Total current assets		761442	705259	1083434	1003493
Total assets		1379331	1369634	1962611	1948813

LIABILITIES 1	Note nr	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 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		208542	229446	296729	326472
current year profit		-10208	-26355	-14525	-37500
1Total Capital and reserves		1132075	1136832	1610798	1617566
2.PROVISIONS		19246	21943	27384	31222
3.CREDITORS					
1.Long term creditors					
Other loans	3	1171	0	1666	0
Amounts payable to associated companies	3	0	0	0	0
Deferred tax	3	60278	54840	85768	78030
Deferred income	3	0	3728	0	5304
1.Total long term creditors		61449	58568	87434	83334
2.Short-term creditors					
3. Other loans	4	6459	8056	9190	11463
4. Bank loan	5	32315	26966	45980	38369
5.Advances received from customers		4060	12007	5777	17084
6.Trade creditors		54276	49656	77228	70654
8.Amounts payable to associated companies	6	21474	5535	30555	7876
10.Taxes and social security payments	7	25415	27109	36162	38573
11.Other creditors	8	18235	17908	25946	25481
Deferred income		3727	3727	5303	5303
Deferred liabilities		600	1327	854	1888
2. Total short-term creditors		166561	152291	236995	216691
Total creditors		228010	210859	324429	300025
Total liabilities		1379331	1369634	1962611	1948813

1 EUR 31.03.2010, 31.03.2011 0.702804

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

Aldis Ozols

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

Profit or loss account

31 March 2011

N.	Item	Note nr.	31.03.11	31.03.10.	31.03.11	31.03.10
			LVL	LVL	EUR	EUR
1	Net sales	1	334550	242806	476022	345482
2	Cost of sales	2	-306307	-230495	-435836	-327965
3	Gross profit		28243	12311	40186	17517
4	Distribution expenses	3	-7498	-11509	-10669	-16376
5	Administration expenses	4	-27884	-25815	-39675	-36731
6	Other operating income	5	11499	2332	16361	3318
7	Other operating expenses	6	-9029	-3352	-12847	-4769
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes		4	0	6	0
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		-598	-322	-851	-458
13	Operating profit		-5263	-26355	-7489	-37500
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-5263	-26355	-7489	-37500
16	Corporate income tax					
17	Other taxes		-4945	0	-7036	0
18	19Net profit for the year		-10208	-26355	-14525	-37500

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 31 March 2011

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.03.11	31.03.10	31.03.11	31.03.10
		LVL	LVL	EUR	EUR
2	1.	3.		5	
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-5263	-26355	-7489	-37500
Corrections:		14174	14770	20168	21016
a) Wear and tear of fixed assets;		13580	14448	19323	20558
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		-4	0	-6	0
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		598	322	851	458
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		8911	-11585	12679	-16911
Adjustments:		-23037	-11469	-32779	-16575
a) Increase or decrease of residues of debts of debtors;		-18232	-9219	-25942	-13117
b) Increase or decrease of residues of resources;		-26576	-29797	-37814	-42397
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		21771	27367	30977	38934
3. The gross cash flow of basic activity.		-14126	-23234	-20099	-33059
4. Expenses for interest payments.		-598	-322	-851	-458
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-4945	0	-7036	0
7. Cash flow before extraordinary items.		-19669	-23556	-27986	-33517
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		-19669	-23556	-27986	-33517

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		-473	0	-673	0
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests		4	0	6	0
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-469	0	-667	0
III. Financing activities					
1.	2.	3.	4	5	8
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		2592	11151	3688	15866
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		2592	11151	3688	15866
IV. The result of exchange rate fluctuations of foreign currency.			0		0
V. The net cash flow of year of account		-17546	-12405	-24965	-17651
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.		17432	9006	24804	12814

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27, Aizpute, Latvia

STATEMENT OF CHANGES IN EQUITY

31 March 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 2010 LVL	918144	15597		208542	1142283
dividend paid					
Current year profit				-10208	-10208
Revaluation reserve					
As of 31 march 2011 LVL	918144	15597		198334	1132075

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

STATEMENT OF CHANGES IN EQUITY

31 March 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				-14524	-14524
Revaluation reserve					
As of 31 March 2011	1306410	22193		282204	1610798

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
Nonindustrial 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.

Information for the “Balance sheet”.

1. Other debtors.

Kind of debtor	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Overpayment of income-tax of enterprise		0		0
Debtors of service	6527	6446	9287	9172
Other debtors	1336	8824	1901	12555
Total	7863	15270	11188	21728

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.

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

3.Other borrowings (long term creditors)

Creditors	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
NORD LB/Lizings	1171	0	1666	0
Deferred tax	60278	54840	85768	78030
Deferred income	0	3728	0	5305
Total	61449	58568	87434	83335

4. Other borrowings (Short-term creditors)

Creditors	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
NORD LB/Lizings	510	2490	726	3543
Others	5949	5566	8464	7920
Total	6459	8056	9190	11463

5. Borrowings from credit institutions.

Creditors	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
A/S NORD /LB Latvija	32315	26966	45980	38369

6. Liabilities to associated Enterprises

Business partner	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
A/S "Kurzemes atslega"	21474	5535	30555	7876

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Income tax of inhabitants	4648	4610	6614	6559
Obligatory payments of the state social insurance	11394	18134	16212	25803
Other tax	9373	4365	13336	6211
Total	25415	27109	36162	38573

8. The rest of creditors.

Kind of creditors	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Wages for March	16209	14253	23063	20280
Other creditors	2026	3655	2883	5201
Total	18235	17908	25946	25481

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Incomings from production of locks and ironmongery	312447	222015	444572	315900
Incomings from sales of goods in shop	4075	3049	5798	4338
Incomings from rendering of services	2150	1268	3059	1804
Incomings from rendering of public facilities	15878	16474	22592	23440
Total:	334550	242806	476022	345482

2. Production costs of sales.

The main elements of expenses	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Material costs	181481	148345	258224	211076
Wages	68266	61438	97134	87418
Obligatory payments of the state social insurance	16349	14733	23263	20963
Electrical energy	12186	11122	17339	15825
Costs of depreciation of fixed	13580	14448	19323	20558
The rest of expenses	21797	13800	31014	19636
Expenses in total	313659	263886	446297	375476
Correction of expenses				
Changes of remains of unfinished production	-4048	-3530	-5760	-5023
Changes of remains of self-made punches, molds and materials	-4260	0	-6061	0
Changes of remains of complete product	956	-29861	1360	-42488
Changes of remains self-made fixed assets	0	0	0	0
Total	306307	230495	435836	327965

3. Distribution expenses

The main elements of expenses	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Wages	2308	1956	3284	2783
Social expenses	548	468	780	666
Marketing Services	4189	3786	5960	5387
Expenditure on advertising	250	5299	356	7540
Other expenses	203	0	289	0
Total	7498	11509	10669	16376

4. Administration expenses.

The main elements of expenses	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Wages	20968	19763	29834	28120
Social expenses	5001	4538	7116	6457
Other expenses	1915	1514	2725	2154
Total	27884	25815	39675	36731

5. The rest of incomes for economic activity

Sort of revenue	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Sales of current assets	11499	2207	16361	3140
Other incomes	0	125	0	178
Total	11499	2332	16361	3318

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.11 LVL	31.03.10 LVL	31.03.11 EUR	31.03.10 EUR
Loss from increase in exchange rates fluctuations	3778	0	5376	0
First cost of sold current assets	3258	2107	4636	2998
Expenses for social sphere	1032	810	1468	1153
Expenses, unrelated with economic activity, donations	35	435	50	619
Other expenses	926	0	1317	0
Heads of expenditure	9029	3352	12847	4769

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

Aldis Ozols