

JOINT STOCK COMPANY

“KURZEMES ATSLEGA 1”

LV40003044007

ANNUAL REPORT

2009

(AUDITED)

FOR THE PERIOD
01.01.2009-31.12.2009

Aizpute
2009

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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, 2009– December 31, 2009
Members of Supervisory Council (until April 29.2009)	Peteris Fridenbergs – Chairman of Supervisory Council Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, chief engineer, Technologic - Mechanic Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Supervisory Council (from April 29 2009- 27.07.2009)	Janis Valkass - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, manager of the Forged Iron shop. Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member 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 Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Supervisory Council (from Juli 27. 2009 resolution nr 6-12/102766)	Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanic 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-mechanic
Members of Board (until April 1.,2009)	Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC,, Technologic - Mechanic
Members of Board (from April 1.,2009-April 17,2009)	Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC ,production manager, Technologic - Mechanic
Members of Board (from April 17.,2009-April 29,2009)	Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC, production manager, Technologic – Mechanic Modris Moisejs-Member of Board, "Kurzemes Atslega 1" JSC, Manager of the Electroplating
Members of Board (from April 29.,2009-May 14,2009)	Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production manager, 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 until Febryary 5,2009	Valdis Bikis
Chairman of Board from Febryary 5,2009 – May 14,2009	Eriks Mikstas
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. Report of Direction.

The activity type of Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the last years: door locks, ironware, furniture fittings, forged products, production tools etc.

The stock capital of the JSC “KURZEMES ATSLEGA 1” amounts 918144 LVL, the net turnover is 1177.0 k LVL, loss 35.4 k LVL.

Net turnover in 2009 in comparison with 2008 is reduced down to 33.4%

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 62.2%
- export – 37.8%

The average number of employees in December 31, 2009 was 103, the average salary in 2009 was 273 LVL. In 2008 the average number of employees was 188, average salary 259 LVL.

The average salary has increased for 5,4 % in comparison with the same period last year.

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, regulary 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 2010

1. The main goal is to increase the sales proceeds and to achieve the results of 2008.
2. To continue and improve the possibilities to get the orders, different than the basic activity type of the company – production of the door locks.

3. To reduce the costs of the production by paying more attention on optimization of the manufacturing and saving power resources.
4. To take part in open competitions organized by EU:
 - a. in the direction of energy efficiency upgrade in manufacturing premises;
 - b. for construction of cogeneration station;
 - c. for marketing purposes taking part in trade fairs both in Latvia and abroad.
5. To pay more attention on manufacturing equipment, its technical condition, repairs and efficiency of the processes.
6. To link all the departments of the factory in the common information network.

April 23, 2010

Aizpute

Statement of responsibility of direction.

Non-audited report of 2009 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 2009 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenberg
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Member of the Board	Andris Taurins
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Member of the Board	Aldis Ozols
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2.2.PROFIT AND LOSS ACCOUNT

December 31, 2009

Item	note	31.12.2009.	31.12.2009	31.12.2008	31.12.2008
	Nr.	LVL	EUR	LVL	EUR
Net sales	1	1176958	1674660	1766916	2514095
Cost of sales	2	1065645	1516276	1577696	2244859
Gross profit		111313	158384	189220	269236
Distribution expenses	3	29258	41630	24554	34937
Administration expenses	4	119259	169691	150551	214215
Other operating income	5	47352	67376	48709	69307
Other operating expenses	6	33374	47488	34395	48941
Operating profit		-23226	-33048	28429	40450
Income from other interest and similar incomes		24	34	29	41
Interest paid and similar expense	7	8939	12719	8712	12396
Profit before tax		-32141	-45733	19746	28099
Deferred tax income		1740	2476	-5161	-7343
Other taxes		4957	7053	5232	7444
Net profit for the year		-35358	-50310	9353	13308

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

Earnings per stock 31.12.2008. 0.01 LVL , 0.02 EUR

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

2.3.BALANCE SHEET

ASSETS 1	Appendices	31.12.2009 LVL	31.12.2009 EUR	31.12.2008 LVL	31.12.2008 EUR
1.LONG TERM INVESTMENT					
1.Development expenses		40000	56915	50000	71144
2..Concessions, patents, licenses		1957	2784	2605	3706
Total	1	41957	59699	52605	74850
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	4	390942	556260	385545	548581
2.Equipment and machinery		170970	243268	202061	287507
3.Other fixed assets		46340	65936	52699	74984
4.Fixed assets development costs		28614	40714	33356	47461
5.Prepayment for fixed assets					
II Total fixed assets	3	636866	906179	673661	958533
1.Total LONG TERM INVESTMENT		678823	965878	726266	1033383
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		268302	381759	271928	386919
2.Work in progress		151739	215905	178215	253577
3.Finished goods and goods for sale		96087	136719	161189	229351
5.Advance payment for goods	5	28722	40868	19388	27587
I. Total inventories		544850	775252	630720	897434
II. Debtors					
1.Trade debtors	6	106429	151435	158713	225828
4.Other debtors	7	5898	8392	5035	7164
7.Deferred expenses	8	60	85	944	1343
II. Total debtors		112387	159912	164692	234335
III. Securities and capital participation					
IV . Cash	9	21411	30465	9865	14037
2.Total current assets		678648	965629	805277	1145806
Total assets		1357471	1931507	1531543	2179189

LIABILITIES 1	Appendices	31.12.09. LVL	31.12.09 EUR	31.12.08. LVL	31.12.08 EUR
1.CAPITAL					
1.Share capital	10	918144	1306401	918144	1306401
3.Revaluation reserve	11	15597	22193	15597	22194
5.Retained profit					
a) previous years retained profit		264804	376782	255451	363474
current year profit		-35358	-50310	9353	13308
1Total Capital and reserves		1163187	1655066	1198545	1705377
2.PROVISIONS	12	21942	31221	16079	22876
Total PROVISIONS		21942	31221	16079	22876
3.CREDITORS					
1.Long term creditors					
Other loans	13	0	0	3625	5158
.Amounts payable to associated companies		0	0	0	0
Deferred tax	14	54840	78030	56580	80506
Deferred income	15	3727	5303	7455	10608
1.Total long term creditors		58567	83333	67660	96272
2.Short-term creditors					
3. Other loans	16	7162	10191	7996	11377
4..Bank loan	17	16707	23772	57200	81388
5.Advances received from customers		1104	1571	18543	26384
6.Trade creditors		29032	41309	68043	96816
8.Amounts payable to associated companies	18	7819	11125	27375	38951
10.Taxes and social security payments	19	19498	27743	39490	56189
11.Other creditors	20	20250	28813	20566	29263
Deferred income	21	3728	5304	3728	5304
Accrued liabilities	22	8475	12059	6318	8990
2. Total short-term creditors		113775	161887	249259	354662
Total creditors		172342	245221	316919	450934
Total liabilities		1357471	1931507	1531543	2179189

31.12.2008,31.12.2009 1EUR=0.702804 LVL

The accompanying notes on pages 20.-28.are an integral part of these financial stataments

2.4.Cash flow statement December 31, 2009

(Cash flow statement, prepared using indirect method)

Indices	App endi ces	31.12.09.	31.12.09	31.12.08.	31.12.08
		LVL	EUR	LVL	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-32141	-45733	19746	28096
Corrections:					
a) Wear and tear of fixed assets;		68966	98130	53062	75501
b) Value cancellation if long-term investments;		-10502	-14943	649	923
c) Formation of reserves (except the reserves for unreliable debt);		5863	8342	-11726	-16685
d) Profit or loss from fluctuation of foreign currency exchange rate;		-24	-34	-29	-41
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		8939	12719	8712	12396
j) income from sale of fixed assets		-11623	-16538	0	0
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		29478	41943	70414	100190
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		52305	74423	-20029	-28499
b) Increase or decrease of residues of resources;		85870	122182	70904	100887
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-94157	-133973	-27879	39668
3. The gross cash flow of basic activity.		73496	104575	93410	132910
4. Expenses for interests payments.		-8939	-12719	-8712	-12396
5. Expenses for payments of enterprise income tax		-4957	-7053	-5232	-7444
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		59600	84803	79466	113070
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		59600	84803	79466	113070

1.	2.	3.	4	5	8
			0		0
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.		-18374	-26144	-77106	-109711
3. Purchase of fixed assets and nonmaterial investments					
3. Entered interests		24	34	29	41
4 income from sale of fixed assets		11623	16538		
9. Net cash flow used in investing activities		-6727	-9572	-77077	-109670
III. Financing activities					
1.	2.	3	4	5	6
2. Loans received					
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-41327	-58803	-20001	-28459
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-41327	-58803	-20001	-28459
IV. The result of exchange rate fluctuations of foreign currency.					
V. The net cash flow of year of account		11546	16428	-17612	-25060
VI. The reminder of currency and its equivalents at the beginning of year of account.		9865	14037	27477	39096
VII. The reminder of currency and its equivalents at the end of year of account.		21411	30465	9865	14037

2.5 STATEMENT OF CHANGES IN EQUITY

Year2009

(LVL)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2007 LVL	918144	9142		255451	1182737
Year of account retained profit			9353		9353
Correction for deferred tax		6455			6455
As of 31 December 2008 LVL	918144	15597	9353	255451	1198545
Correction for deferred tax					
Year 2008 profit moved to prior period retained profit			-9353	9353	0
Current year loss			-35358		-35358
As of 31.december 2009 LVL	918144	15597	-35358	264804	1163187

(EUR)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2007 LVL	1306401	13008		363474	1682883
Year of account retained profit			13308		13308
Correction for deferred tax		9185			9185
As of 31 December 2008 LVL	1306401	22193	13308	363474	1705376
Correction for deferred tax					
Year 2008 profit moved to prior period retained profit			-13308	13308	0
Current year loss			-50310		-50310
As of 31.december 2009 LVL	1306401	22193	-50310	376782	1655066

2.6. Appendices to the Financial statements 2008-2009

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.

31.12.2008	31.12.2009	31.12.2008
USD	0.489	0.495
EUR	0.702804	0.702804
LTL	0.204	0.203
PLN	0.169	0.171

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)

	2009 LVL	2009 EUR	2008LVL	2008EUR
The average annual number of employees	103		188	
Personnel expenses Total	400366	569655	606443	862890
- wages	323466	460250	490340	697690
social insurance	76890	109405	116103	165120
- inter alia				
Production personnel				
- wages	224511	319450	365063	519438
social insurance	57028	81144	87055	123868
Total	281539	400594	452118	643306
The personnel of administration				
- wages	91527	130232	112243	159707
social insurance	18108	25765	25943	36914
Total	109635	155997	138186	196621
i.a. Compensation of board				
- compensation	7566	10765	12960	18440
- social insurance	1821	2591	2580	3671
Total	9387	13356	15540	22111
Compensation of Supervisory Council				
- compensation	6318	8990	5760	8196
- social insurance	1522	2165	1388	1975
Total	7840	11155	7148	10171
The personnel of sales				
- compensation	7428	10569	13034	18545
- social insurance	1754	2496	3105	4418
Total	9182	13065	16139	22963

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

Modus operandi	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Incomings from production of locks and ironmongery	1147239	1632374	1742457	2479293
Incomings from rendering of services	29719	42286	24459	34802
Total:	1176958	1674660	1766916	2514095

The distribution of net sales by countries

		<i>sales proceeds</i>		<i>sales proceeds</i>	
		2009.g. (Thousand LVL)	2008.g.(Thousand LVL)	2009.g.(Thousand EUR)	2008.g.(Thousand EUR)
1	Latvia	732.6	980.2	1042.4	1394.7
1	Lithuania	268	355.9	381.3	506.4
2	Ukraine	0	84.1	0	119.7
3	Estonia	98.3	125.8	139.9	179.0
4	Russia	18.1	101.1	25.8	143.9
5	Germany	8.4	16.1	11.9	22.9
6	Finland	0	2.8	0	4.0
7	Kyrgyzstan	0	31.8	0	45.2
8	Uzbekistan	50.4	69.1	71.7	98.3
9	Island	1.2		1.7	
	Total:	1177.0	1766.9	1674.7	2514.1

2. Production costs of sales.

The main elements of expenses	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Material costs	456752	649900	925103	1316303
Wages	224593	319567	366263	521145
Obligatory payments of the state social insurance	57027	81142	87123	123965
Electrical energy	48535	69059	67550	96115
Costs of depreciation of fixed	68966	98130	53062	75500
The rest of expenses	136495	194214	74088	105418
Expenses in total	992368	1412012	1573189	2238446
Correction of expenses				0
Changes of remains of unfinished production	26476	37672	28970	41221
Changes of remains of self-made punches, molds and materials	-13359	-19008	-27024	-38452
Changes of remains of complete product	65540	93255	23554	33514
Changes of remains self-made fixed assets	-5380	-7655	-20993	-29870
Total	1065645	1516276	1577696	2244859

3. Distribution expenses

The main elements of expenses	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Wages	7428	10569	13034	18546
Social expenses	1755	2496	3105	4418
The rest of expenses	4877	6939	8415	11973
Marketing Services	15198	21625	0	0
Total	29225	41583	24554	34937

4. Administration expenses.

The main elements of expenses	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Wages	91257	130232	112243	159707
Social expenses	18108	25765	25943	36914
The rest of expenses	8424	11986	11765	16740
Provisions	1200	1707	600	854
Total	119259	169690	150551	214215

5. The rest of incomes for economic activity

Sort of revenue	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Sales of current assets	9479	13487	30342	43173
Incomes from exchange rate fluctuations	593	844	1982	2820
The rest of incomes	343	488	11726	16685
Others income	36937	52557	4659	6629
Total	47352	67376	48709	69307

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

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Expenses for social sphere	5171	7358	3760	5350
Expenses, unrelated with economic activity, donations	14409	20502	13651	19424
Revaluation reserve			0	0
harm recompense	13794	19627	13180	18753
Other expenses			3804	5413
Total	33374	47487	34395	48940

7. Interest, interest cover

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
interest	6824	9710	8066	11477
interest cover	2115	3009	646	919
Total	8939	12719	8712	12396

Appendices to balance sheet..

1. Intangible fixed assets. (LVL)

	Intangible fixed assets LVL	Development expenses LVL	Total
Purchases prices 31.12.2008	3956	50000	53956
Liquidation			
31.12.2008	3956	50000	53596
Deprecations.	1351		1351
Purchase			
calculated	648	10000	10648
Deprecations. 31.12.2009	1999	10000	11999
Balance cost 31.12.2008	2605	50000	52605
balance cost 31.12.2009	1957	40000	41957

Intangible fixed assets. (EUR)

	Intangible fixed assets EUR	Development expenses EUR	Total
Purchases prices 31.12.2008	5629	71144	76772
Liquidation			
31.12.2008	5629	71144	76772
Deprecations. 31.12.2008	1922		1922
calculated	922	14229	15151
Deprecations. 31.12.2009.	2844	14229	17073
Balance cost 31.12.2008	3707	71144	74850
balance cost 31.12.2009	2785	56915	59699

2. Fixed asset liquidation

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Fixed asset acquisition value	90068	128155	49274	70111
Accumulated depreciation	90068	128155	49100	69863
Loss from liquidation of fixed assets	0	0	-174	-248

3. Fixed assets (LVL)

	plots, buildings	Techno- logical equip- ment	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2008.LVL	676395	816594	124570	33356		1650915
to put into operation	21151	7244	8519			36914
Shift	37297	43004	9767	4742		94810
Purchase prices 31.12.2009.	660249	780834	123322	28614		1593019
Deprecation 31.12.2008.	290850	614533	71871			977254
Calculated	15754	38335	14878			68967
exclude	37297	43004	9767			90068
correction						
Depreciation 31.12.2009.	269307	609864	76982			956153
Balance sheet value 31.12.2008	385545	202061	52699	33356		673661
Balance sheet value 31.12.2009.	390942	170970	46340	28614		636866

Fixed assets (EUR)

	plots, buildings	Technolog ical equipment	The rest capital assets	Origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2008.	962423	1161909	177247	47461		2349040
to put into operation	30095	10307	12121			52524
Shift	53069	61189	13897	6747		134902
Purchase prices 31.12.2009.	939450	1111027	175471	40714		2266662
Deprecation 31.12.2008	0 413842	0 874402	0 102263	0 0		0 1390507
Calculated	22416	54546	21169			98131
exclude	53069	61189	13897			128155
correction						
Depreciation 31.12.2009.	0 383189	0 867758	0 109536	0		0 1360483
Balance sheet value 31.12.2008.	548581	287507	74984	47461		958533
Balance sheet value 31.12.2009.	556260	243268	65936	40714		906179

4.Cadastral value of the buildings

Property	Cadastral No.	Cadastral value LVL	Cadastral value EUR	balance sheet value LVL	balance sheet value EUR
Coal – woodchip place-shed	64051010122011	3536	5031	4139	5886
Joinery building	64054010122012	9418	13401	8709	12392
Lean -garage	64050100122008	8765	12471	6308	8975
Production building No.2	64050100122002	16990	24175	5043	7176
Engineering-technical building	64050100122003	7793	11088	1731	2463
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	42420	60358	20932	29784
Repair shop	64050100122006	28008	39852	13119	18667
Storehouse of electrolytic components	64050100122007	45943	65371	3412	4855
Boiler house	64050100122010	17965	25562	36217	51532
Aid post of factory	64050100122013	6824	9710	3389	4822
Warehouse	64020100122014	35645	50718	8973	12767
Warehouse	64050100122015	11679	16618	275	391
The main production building with compressor substation	64050100122016	162216	230813	198847	282934
Office building	64050100122017	23445	33359	9332	13278
Neutralization building	64050100122018	3042	4328	10089	14355
Gatehouse	64050100122019	722	1027	0	0
Sawmill building	64050100122020	7427	10568	1990	2832
Transformer substation	64050100220021	3166	4505	1334	1898
Plot., Zingberga street 1, Aizpute 5621 m2	64050100008	11242	15996	3100	4411
Garage-outhouse	64050100122009	2311	3288	2311	3288
Total		448557	638239	339250	482709

5. Advance payment for goods.

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Latvija Statoil SIA	307	437	405	576
KIN KEI HARDWARE INDUSTRIES	0	0	18983	27011
Wuxi GMB intern. Corporation	28415	40431	0	0
Total	28722	40868	19388	27587

6. Trade debtors

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008 LVL	31.12.2008. EUR
Trade debtors accounting value	101161	143939	164352	233852
Provisions doubtful debt	5268	7496	5639	8024
Trade debtors net value	106429	151435	169991	241876

Change in provision for doubtful receivables

	Trade debtors(LVL)	Trade debtors EUR)
Provisions 31.12.2008	5639	8024
Provisions decrease	371	528
provisions increase		
Provisions 31.12.2009	5268	7496

7. Other debtors .

Item	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
The overpaid taxes	0	0	792	1127
Value added tax				
Personnel debts	230	327	97	138
Public utilities payment	4232	6022	3290	4681
Other debts	1436	2043	855	1217
Total	5898	8392	5034	7163

8. Deferred expenses.

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
subscription	60	85	230	327
accident insurance			714	1016
Other deferred expenses			0	0
Total	60	85	944	1343

9. Money resources

	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Money resources in cash department	424	603	266	378
Money resources in bank	20987	29862	9599	13658
Total	21411	30465	9865	14036

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.

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

5.02 % (46075 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 31.12.2008	15597	22193
increase		
decrease		
Balance 31.12.2009	15597	22193

12. PROVISIONS

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Provisions for not used holiday	21942	31221	16079	22878
Total	21942	31221	16079	22878

13. Other creditors (long term)

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Total other creditors(long term)	0		3625	5158
Short-term part				
Long-term part net				
i.f.				
DnB NORD Līzings			3625	5158
Nordic Environment Finance Corporation	0			

14. Deferred tax liabilities

Item	31.12.2008. LVL	31.12.2008. EUR	31.12.2008. LVL	31.12.2008. EUR
Deferred tax liabilities	56580	80506	51419	73163
Incomes of reduction Deferred tax liabilities	-1740	-2476	5161	7343
Total	54840	-78030	56580	80506

15 Deferred income (long term)

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Financing from funds ERAF	3727	5303	7455	10608

16. Other creditors (short term.)

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
DnB NORD Līzings	3562	5069	4163	5923
Nordic Environment Finance Corporation			3833	5454
Other creditors	3600	5122		
Total	7162	10191	7996	11377

17. Bank credit (short term)

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
AS DnB NORD BANKA	16707	23772	57200	81388

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

18 Liabilities to associated Enterprises short term)

Item	31.12.2009 LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
A.S "KURZEMES ATSLĒGA" reg.nr..40003123254	7819	11125	27375	38951

19. Movement taxes 2009. LVL

Kind of taxes	balance 31.12.2008. LVL	calculated 2009.g. LVL	paid s 2009.g, LVL	To direct for other taxes LVL	balance 31.12.2009. LVL
Obligatory payments of the state social insurance	23489	107571	114962	-5228	10870
Income tax of inhabitants	4605	42968	44019		3554
value added tax	10193	58624	68356	4436	4897
real estate tax	1198	4956	6154		
Enterprise income tax	-792			792	
Tax to natural resources	2	766	617		151
Business risk fee	3	334	311		26
Total	38698	215219	234419	0	19498

i.a.

Overpayment taxes

Liability taxes 19498

Movement taxes 2009. EUR

Kind of taxes	balance 31.12.2008. LVL	calculated 2009.g. LVL	paid s 2009.g, LVL	To direct for other taxes LVL	balance 31.12.2009. LVL
Obligatory payments of the state social insurance	33422	153060	163576	-7439	15467
Income tax of inhabitants	6552	61138	62633		5057
value added tax	14503	83414	97262	6312	6967
real estate tax	1705	7052	8756		
Enterprise income tax	-1127			1127	
Tax to natural resources	3	1090	878		215
Business risk fee	4	475	443		37
Total	55062	306229	333548	0	27743

Int.al.:

Overpayment taxes

Liability taxes 27743

20. The rest of creditors.

Kind of creditors	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Wages for December	16329	23234	18421	26211
harm recompense	1085	1544	890	1266
Deduction from wages	407	579	0	0
Other creditors	2429	3456	1255	1786
Total	20250	28813	20566	29263

21. Deferred income

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008 EUR
Proceeds of the part of ERDF funding	3728	5304	3728	5304

22. Accrued liabilities.

Item	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Expenses of audit of the year 2008. LLC "Revidentu serviss"	1200	1707	600	854
JSC Latvenergo	5412	7701	5718	8136
SIA "Aizputes atslēgas"	1735	2469		
Other	128	182		
Total	8475	12059	6318	8990

Total remuneration LLC "Revidentu Serviss" for auditing of the annual accounts of the year 2009 makes 1452 LVL (VAT included)

23. 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	35631	50698
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.

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

$$\text{Year 2009} \quad (678648 : 113775) = 5.97$$

$$\text{Year 2008} \quad (805277 : 249259) = 3.23$$

Quick ratio =

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

$$\text{Year 2009} \quad (133798 : 113775) = 1.18$$

$$\text{Year 2008} \quad (174557 : 249259) = 0.70$$

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

$$\text{Year 2009} \quad (21411 : 113775) = 0.19$$

$$\text{Year 2008} \quad (9865 : 249259) = 0.04$$

Liability ratio.

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

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

$$\text{Year 2009 } (172342:1357471)=0.13$$

$$\text{Year 2008 } (316919 : 1531543) = 0.21$$

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

$$\text{Year 2009 } (172342:1163187)=0.15$$

$$\text{Year 2008 } (316919 : 1198545) = 0.26$$

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

$$\text{Year 2009 } (1163187:1357471)=0.86$$

$$\text{Year 2008 } (1198545: 1531543) = 0.78$$

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

$$\text{Year 2009 } (172342:1163187)=0.15$$

$$\text{Year 2008 } (316919 : 1198545) = 0.26$$

Activity ratio.

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

$$\text{Year 2009 } (1065645:587785)=1.81$$

$$\text{Year 2008 } (1577696: 666172) = 2.4$$

Profitability ratios:

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

$$\text{Year 2009 } (-35358 \times 100:1176958)=-3 \%$$

Year 2008 (9353 X100: 1766916) = 0.53 %

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

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

Year 2008 (9353 X100: 1190641) = 0.8 %

Chairman of the Board Peteris Fridenbergs

Member of the Board Andris Taurin

Member of the Board Aldis Ozols

2.7. Independent auditors report

INDEPENDENT AUDITORS' REPORT

TRANSLATION

To the Shareholders of
KURZEMES ATSLĒGA 1 AS

Report on the Financial Statements

We have audited the accompanying financial statements on pages 7 to 29 of KURZEMES ATSLĒGA 1 AS which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of KURZEMES ATSLĒGA 1 AS as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report set from pages 4 to 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2009.

Certified auditors' company
Revidentu serviss SIA
Audit company licence No. 15



Mag. sc. soc., Aivars Rutkis
Certified auditor, Certificate No. 18
Chairperson of the Board

Dobele, Latvia, 23.04.2010

23.04.2010, 4.1.-143