

**JOINT STOCK COMPANY**

**“KURZEMES ATSLEGA 1”**

**LV40003044007**

**Non-audited  
ANNUAL REPORT  
2008**

FOR THE PERIOD  
01.01.2008-31.12.2008

**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, 2008– December 31, 2008
Members of Supervisory Council ( until April 19 ,2008)	<b>Peteris Fridenbergs</b> – Chairman of Supervisory Council <b>Andris Taurins</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic <b>Ivars Lacis</b> – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Supervisory Council ( from April 19 ,2007)	<b>Voldemars Magone</b> - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic <b>Guntars Stekjanis</b> – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council <b>Peteris Fridenbergs</b> – Chairman of Supervisory Council <b>Andris Taurins</b> – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic <b>Ivars Lacis</b> – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller <b>Janis Valkašs</b> - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic <b>Guntars Stekjanis</b> – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council,
Members of Board	<b>Inara Burve</b> – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant <b>Aldis Ozols</b> , Member of Board, "Kurzemes Atslega 1", JSC,, Technologic - Mechanic
Chairman of Board (until February 5,2009)	<b>Valdis Bikis</b> <b>Eriks Mikstas</b>
Auditor	Certified Auditor <b>Aivars Rutkis</b> , Certificate Nr. 18

## 2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.08. LVL	31.12.08. EUR	21.12.07. LVL	31.12.07. EUR
<b>1.LONG TERM INVESTMENT</b>					
<b>Progress expenses</b>		50000	71144		
1.Concesions, patents, licenses		2605	6706	1623	2309
<b>Total</b>		52605	74850	1623	2309
<b>I. Intangible fixed assets</b>					
<b>II. Fixed assets</b>	4				
1. Land, building.		385545	548501	394240	560953
2.Equipment and machinery		202197	287701	199464	283812
3.Other fixed assets		53336	75890	58799	83664
4.Fixed assets development costs		33798	48090	46018	64578
5.Prepayment for fixed assets					
<b>II Total fixed assets</b>		<b>674876</b>	<b>960262</b>	<b>698521</b>	<b>993907</b>
<b>1.Total LONG TERM INVESTMENT</b>		<b>727481</b>	<b>1035112</b>	<b>700144</b>	<b>996215</b>
<b>2.CURRENT ASSETS</b>					
<b>1.Inventories</b>					
1.Raw materials		262289	373204	282752	402320
2.Work in progress		187215	266383	207185	294798
3.Finished goods and goods for sale		161189	229351	181039	257595
5.Advance payment for goods		19388	27587	30648	43608
<b>I. Total inventories</b>		<b>630081</b>	<b>896525</b>	<b>701624</b>	<b>998321</b>
<b>II. Debtors</b>					
1.Trade debtors	5	158853	226028	139161	198008
4.Other debtors	6	5123	7289	4696	6682
7.Deferred expenses	7	792	1127	806	1147
<b>II. Total debtors</b>		<b>164768</b>	<b>234444</b>	<b>144663</b>	<b>205837</b>
<b>III. Securities and capital participation</b>					
<b>IV . Cash</b>	8	9846	14009	27477	37096
<b>2.Total current assets</b>		<b>804698</b>	<b>1144978</b>	<b>873764</b>	<b>1243254</b>
<b>Total assets</b>		<b>1532176</b>	<b>2180090</b>	<b>1573908</b>	<b>2239469</b>

LIABILITIES 1	Appendices	31.12.08. LVL	31.12.078 EUR	21.12.07. LVL	31.12.07. EUR
<b>1.CAPITAL</b>					
1.Share capital	9	918144	1306401	918144	1306402
3.Revaluation reserve	10	15598	22194	9182	13008
5.Retained profit					
a) previous years retained profit		256910	365550	259924	369838
current year profit		10539	14996	-3014	-4289
<b>1Total Capital and reserves</b>		<b>1201191</b>	<b>1709141</b>	<b>1184196</b>	<b>1684959</b>
<b>2.PROVISIONS</b>		16078	22877	27805	39563
<b>Total PROVISIONS</b>	11	16078	22877	27805	39563
<b>3.CREDITORS</b>					
<b>1.Long term creditors</b>					
Other loans	12	3623	5155	11620	16534
.Amounts payable to associated companies		0	0	25537	36336
Deferred tax	14	53638	76320	49960	71087
Deferred income		7456	10609	11183	15912
<b>1.Total long term creditors</b>		<b>64717</b>	<b>92084</b>	<b>98300</b>	<b>139868</b>
<b>2.Short-term creditors</b>					
3. Other loans	15	7997	11379	19301	27463
4..Bank loan		57200	81388	57900	82384
5.Advances received from customers		19147	27244	18290	26921
6.Trade creditors		67979	96725	106212	151126
8.Amounts payable to associated companies	17	27375	28951	9311	13248
10.Taxes and social security payments	18	39691	56475	21713	30895
11.Other creditors	19	20756	29533	25522	36315
Deferred income		3727	5303	3728	5304
Accured liabilities		6317	8990	1000	1423
<b>2. Total short-term creditors</b>		<b>250190</b>	<b>355988</b>	<b>263607</b>	<b>375079</b>
<b>Total creditors</b>		<b>314904</b>	<b>448072</b>	<b>361907</b>	<b>514947</b>
<b>Total liabilities</b>		<b>1532176</b>	<b>2180090</b>	<b>1573908</b>	<b>2239469</b>

31.12..2007,31.12.2008 1EUR=0.702804 LVL

## 2.2.PROFIT OR LOSS ACCOUNT

31 December 2008

Item	note	31.12.08	31.12.08	31.12.07	31.12.07
	Nr.	LVL	EUR	LVL	EUR
Net sales	23	1763976	2509912	1954709	2781300
Cost of sales	24	1571445	2235965	1736038	2470160
Gross profit		192531	273947	218671	311141
Distribution expenses	25	2470	35145	26185	37258
Administration expenses	26	150551	214215	162811	231659
Other operating income	27	45140	64228	23967	34102
Other operating expenses	28	34395	48939	38171	54312
Operating profit		28025	39876	15471	22013
Income from other interest and similar incomes		27	38	35	50
Interest paid and similar expense	29	8603	12241	6082	8654
Profit before tax		19449	27673	9424	13409
Deferred tax income		-3678	-5233	-4956	-7052
Other taxes		5232	7444	7482	10646
Net profit for the year		10539	14996	-3014	-4289

loss per stock 31.12..2007. 0.003 LVL , 0.005 EUR

Earnings per stock 31.12.2008. 0.01 LVL , 0.02 EUR

31.12..2007.,31.12..2008 1 EUR = 0.702804

## 2.3.Cash flow statement 31 December 2008

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.12.08	31.12.08	31.12.07	31.12.07
		LVL	EUR	LVL	EUR
2	1.	3.	4	5	6
<b>I. Operation activities</b>					
I.					
1. Profit or loss before extraordinary items and taxes.		19499	27673	9424	13409
Corrections:					
a) Wear and tear of fixed assets;		52288	74399	51621	73450
b) Value cancellation if long-term investments;		649	923	465	662
c) Formation of reserves (except the reserves for unreliable debt);		-11728	-16687	2157	3069
d) Profit or loss from fluctuation of foreign currency exchange rate;		-27	-38	-35	-50
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		8603	12241	6082	8654
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		69234	98511	69714	99194
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		-20105	-28607	22781	32414
b) Increase or decrease of residues of resources;		71543	101797	-73846	-105073
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-26999	-38416	38108	54223
3. The gross cash flow of basic activity.		93673	133285	56757	80758
4. Expenses for interest payments.		-8603	-12241	-6082	-8654
5. Expenses for payments of enterprise income tax		-5232	-7444	-7482	-10646
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		79838	113600	43193	61458
8. Cash flow from extraordinary items.					
<b>8. The net cash flow of basic activity</b>		79838	113600	43193	61458

1.	2.	3.	4	5	8
			0		0
<b>II. Investing activities</b>					
1. Purchase of shares or parts of related or associated enterprises.		-84681	-120490	-55644	-79174
3. Purchase of fixed assets and nonmaterial investments					
7. Entered interests		27	38	35	50
<b>9. Net cash flow used in investing activities</b>		<b>-84654</b>	<b>-120452</b>	<b>-55609</b>	<b>-79124</b>
<b>III. Financing activities</b>					

1.	2.	3	4	5	6
2. Loans received				32500	46243
3. Financial aids, pump-priming, presents or donations received				18265	25989
4. Expenses for repayment of loans		-12545	-17850	-19115	-27198
6. Dividends paid					
7. Changes of reserves					
<b>7. Net cash flow of financing activity</b>		<b>-12545</b>	<b>-17850</b>	<b>31650</b>	<b>45034</b>
	<b>IV. The result of exchange rate fluctuations of foreign currency.</b>				
	<b>V. The net cash flow of year of account</b>	<b>-17361</b>	<b>-24702</b>	<b>19234</b>	<b>27368</b>
	<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>	27477	39096	8153	11601
	<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>	9846	14010	27477	39096



## 2.4 STATEMENT OF CHANGES IN EQUITY

Year2008

(LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
<b>AS of 31 December 2006 LVL</b>	<b>918144</b>	<b>9142</b>		<b>259924</b>	<b>1187210</b>
Current year profit				-3014	-3014
<b>As of 31. December 2006 LVL</b>	<b>918144</b>	<b>9142</b>		<b>256910</b>	<b>1184196</b>
dividend paid					
Current year profit				<b>10539</b>	<b>10539</b>
Revaluation reserve		6456			
<b>As of 31. December 2007 LVL</b>	<b>918144</b>	<b>155982</b>		<b>267449</b>	<b>1201191</b>

## 2.4 STATEMENT OF CHANGES IN EQUITY

Year2008

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
<b>AS of 31 December 2006</b>	<b>1306401</b>	<b>13008</b>		<b>369839</b>	<b>1689248</b>
Current year profit				-4289	-4289
<b>As of 31 December 2007.</b>	<b>1306401</b>	<b>13008</b>		<b>365550</b>	<b>1684959</b>
dividend paid					
Current year profit				<b>14996</b>	<b>14996</b>
Revaluation reserve		9186			9186
<b>As of 31. december 2008L</b>	<b>1306401</b>	<b>22194</b>		<b>380546</b>	<b>1709141</b>

## 2.5. Appendices to the Financial statements 2006-2007

### 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.

Valūta	31.12.2008	31.12.2007
USD	0.495	0.484
EUR	0.702804	0.702804
LTL	0.203	0.204
PLN	0.171	0.195

#### 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 recognised at the moment of their origin or at the moment when legal rights on such earnings arise.
- 6.1. Other interest receivable and similar income is income that is not directly from the economic activity.
7. Financing from funds ERAF for realization of the scheme of grants "Support of contributions in development of the enterprises in especially supported territories" of the project "Introduction of innovative technology of spot welding of the galvanized details". is transferred to incomes during amortization.

### III. Fixed assets

8. All fixed assets originally estimated at the purchase value, excluding depreciation

9. Depreciation are calculated linear, accordingly confirmed parameters, using the following rates determined by administration:

	(% year)
Building, construction	2
Transmission equipment	5
Non-industrial buildings	2
Technological equipment	10
The power equipment	14.3
Computer	20
Transport	14.3
Instrument	20
Inventory	10

### IV. Debts of debtors

10. The debts of debtors in the balance presented in net value, deducting special reserve for debts of doubtful and hopeless debtors from the initial cost. Special reserves for debts of doubtful and hopeless debtors are made, when the administration suggests that the retrieval of these specially marked debts of debtors is doubtful

### V. Financial leasing

11. Such fixed assets as vehicles and technological equipment that have been purchased on financial lease involving the take-over of the related risks, have been booked according to their non-lease sales price. Lease interest and similar payments have been included in the profit or loss account of the year they have come into existence.

### VI Inventory.

12. All values of raw are evaluated accordingly their purchasing prices. Production in progress is evaluated accordingly the standard production costs. The finished goods are evaluated accordingly standard production costs. For calculation of stock value the average weight method is used ( FIFO method.) The valuation of inventories in financial accountancy is being done using continuous inventory method

### VII Enterprise income tax

14. The corporate income tax for the reporting year has been calculated complying the legislative

requirements of the Republic of Latvia.

15. The value of deferred taxation is being calculated according to liability method and it refers to all differences between the value of assets and the value of liabilities in financial reports and their value used for tax calculations. The tax rate used in deferred taxation calculations is the one estimated for the period when the temporary differences are expected to level out. Temporary differences are due 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.

### **3. Result of liquidation of the fixed assets.**

	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Purchase prices	52531	74745	12290	17487
Depreciation	52357	74497	12290	17487
Balance cost	0		0	0
Loss of liquidation of the fixed assets	174	248	0	0

## Appendix to balance sheet..

### 4. Fixed assets (LVL)

,	plots, buildings	Technolo gical equip- ment	The rest capital assets	origination of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2007.LVL	675489	816011	134294	46018		1671812
to put into operation	1172	32656	10467			44295
Shift	266	32073	20191	12220		64750
Purchase prices 31.12.2008	676395	816594	124570	33798		1651357
31.12.2007	281249	616547	75495			973291
Calculated	9987	29720	12581			52288
exclude	386	31870	16842			49098
Depreciation 31.12.2008	290849	614397	71234			976480
Balance sheet value 31.12.2007	394240	199464	58799	46018		698521
Balance sheet value 31.12.2008	385545	202197	53336	33798		674876

**Fixed assets (EUR)**

	plots, buildings	Technolo gical equip- ment	The rest capital assets	Origin- ation of capital assets	Advance payment.	Total
Balance SHEET value 31.12.2007.LVL	956487	1059325	190104	70846	51980	2328743
to put into operation	4919	116123	3825		0	124867
Shift	272	14370	2846	5368	51980	74836
Purchase prices 31.12.2008.	961134	1161079	191083	65478	0	2378774
31.12.20067	386432	850719	91754	0	0	1328905
Calculated	14021	40918	18512	0	0	73450
exclude	272	14370	2846	0	0	17487
Depreciation 31.12.2008.	400181	877267	107420	0	0	1384868
Balance sheet value 31.12.20067	570055	208606	98350	70846	51980	999838
Balance sheet value 31.12.2008	560953	283812	83663	65478	0	993906

## Buildings cadastre value

Property	Cadastre Nr.	Cadastre value LVL	Cadastre value EUR	Balance sheet value LVL	Balance sheet value EUR
Ogļu- šķeldas laukums nojume	64051010122011	3536	5031	974	1386
Galdniecības ēka	64054010122012	9529	13588	6023	8570
Galvenais korpuss	64050100122001	31968	45486	9680	13773
Ražošanas ēka nr.2	64050100122002	15758	22422	5287	7523
Inženiertehniskais korpuss	64050100122003	7885	11219	1815	2583
Slīpēšanas-galvanikas iecirkņa-kluba ēka	64050100122005	42921	61071	21949	31231
Remontu iecirknis	64050100122006	25977	36962	13756	19573
Elektrolītisko komponentu noliktava	64050100122007	49772	70819	3578	5091
Katlu māja	64050100122010	18336	26090	37975	54034
Rūpnīcas medpunkts	64050100122013	6824	9710	3546	5045
Noliktava	64020100122014	37071	52747	13722	19525
Noliktava	64050100122015	12146	17282	288	408
Galvenais ražošanas korpuss ar kompresoru apakšstaciju	64050100122016	172927	246053	208500	296669
Kantora ēka	64050100122017	23445	33359	9680	13773
Neitralizatora ēka	64050100122018	2821	4014	10579	15053
Sargu māja	64050100122019	722	1027	0	0
Zāģētavas ēka	64050100122020	7514	10691	2087	2970
Transformatoru apakšstacija	64050100220021	3211	4569	1399	1991
Zemes gabals Aizputē, Zingberga ielā1, 5621 m2	64050100008	11242	15996	3100	4411
Kopā		483605	688108	351148	499639

**5.Trade debtors**

	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Trade debtors accounting value	164492	234091	140996	200619
Provisions doubtful debt	5639	8024	1835	2611
Trade debtors net value	158853	226027	139161	198008

**Provisions change**

	Trade debtors (LVL)	Trade debtors (EUR)
Provisions 31.12.2006.	1835	2611
Provisions decrease		
provisions increase	3804	5413
Provisions 31.12.2007	5639	8024

**6.Other debtors .**

	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
The overpaid taxes	967	1376	378	538
Value added tax			897	1276
Personnel debts	98	139	103	147
Public utilities payment	3330	4738	2360	3358
Other debts	728	1036	958	1363
Total	5123	7289	4696	6682

**7. .Deferred expenses.**

	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
subscription	136	194	150	214
accident insurance	656	933	466	663
Other deferred expenses			190	270
Total	792	1277	806	1147



## 8. Money resources

.

	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
Money resources in cash department	266	378	496	706
Money resources in bank	9580	13631	26981	38390
Total	9846	14009	27477	39096

9. 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.

10,9 % ( 100795 equities)of share capital belongs to Bargain Trade Oy ,Finland  
Council

5.02 % ( 46075 equities)of share capital belongs to Rolands Livmanis

.

## 10.. Revaluation reserve.

Title	Revaluation reserve (LVL)	Revaluation reserve (EUR)
Balance 31.12.2007	9142	13008
Increase	6455	9186
Cecrease	0	0
Balance 31.12.2008	15597	22194

The Revaluation reserve is created in connection with the presented equipment

**11. PROVISIONS**

Title	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
Provisions for not used holiday	16078	22877	27805	39563
Total	16078	22877	27805	39563

**12. Other creditors (long term)**

Title	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Total other creditors(long term)	11620	16534	30922	43998
Short-term part	7997	11379	19301	27463
Long-term part neto	3623	5155	11621	16535
i.f.				0
DnB NORD Lizings	3623	5155	7787	11080
Nordic Environment Finance Corporation	0	0	3833	5454

**13 .Liabilities to associated Enterprises  
( long term)**

Title	31.12.08 LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254	0	0	25537	36336

**14. Deferred tax liabilities**

Title	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07 EUR
Deferred tax liabilities	49960	71087	45004	64035
Incomes of reduction Deferred tax liabilities	3678	5233	4956	7052
Total	53638	76320	49960	71087

**15. Other creditors ( short term.)**

Title	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
DnB NORD Lizings	4164	5925	3967	5645
Nordic Environment Finance Corporation	3833	5454	15334	21818
Total	7997	11379	19301	27463

**Leasing liabilities.**

Title		31.12.2007. LVL	31.12.2007EUR
SIA DnB NORD Lizings			
			0
II. Long-term part	2009	4164	5925
	2010	3623	5155
Leasing liabilities total ( long term)		7787	11080

**16. Bank credit ( short term)**

Title	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
AS DnB NORD BANKA	57200	81388	59700	84945

For the guarantee of increase in a limit of the credit for AS DnB NORD the commercial mortgage on resources in volume 84,000.0 LVL is given out

**17. Liabilities to associated Enterprises short term)**

Title	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
A.S "KURZEMES ATSLĒGA" Reg.Nr..40003123254	27375	38951	9311	13248

**18. Movement taxes 2008.gadā. LVL**

Kind of taxes	Balance 31.12.2007 LVL	Calculated 2008 . LVL	Paid s 2008.g, LVL	To direct for other taxes LVL	Balance 31.12.2008. LVL
Obligatory payments of the state social insurance	13423	161281	151216		23488
Income tax of inhabitants	6054	66049	67303		4800
value added tax	2174	36600	28571		10203
real estate tax	0	5232	4034		1198
<b>Enterprise income tax</b>	-203	-598			-801
Tax to natural resources	-175				-175
custom dues	0	0	0	0	
Business risk fee	62	518	578		2
Total	21335	269082	251702		38715

i.a.

Overpayment taxes 976

Liability taxes 39691

**Movement taxes, year 2008. EUR**

Kind of taxes	Balance 31.12.2007. LVL	Calculated 2007.g. LVL	paid s 2007.g, LVL	To direct for other taxes LVL	Balance 31.12.2007. LVL
Obligatory payments of the state social insurance	19099	229482	215161		33420
Income tax of inhabitants	8614	93979	95764		6830
Value added tax	3093	52077	40653		14518
Real estate tax		7444	5740		1705
<b>Enterprise income tax</b>	-289	-851			-1140
Tax to natural resources	-249				-249
custom dues					
Business risk fee	88	737	822		3
Total	30356	382868	358140		55087

Int.al.:

Overpayment taxes 1389

Liability taxes 56475

### 19. The rest of creditors.

Kind of creditors	31.12.08 LVL	31.12.08 EUR	31.12.07. LVL	31.12.07. EUR
Wages for December	18227	25935	22488	31998
Harm recompense	1098	1562	1023	1456
Deduction from wages	179	255	816	1161
Other creditors	1252	1781	1195	1700
Total	20756	29533	25522	36315

### 20. 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.

**Appendices for profit and loss account****23.Net sales**

<b>Modus operandi</b>	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Incomings from production of locks and ironmongery	1688820	2402974	1932942	2750329
Incomings from rendering of services	75156	106938	21767	30971
Total:	1763976	2509912	1954709	2781300

**24. Production costs of sales.**

<b>The main elements of expenses</b>	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Material costs	907569	1291354	1164847	1657428
Wages	365063	519438	385777	548911
Obligatory payments of the state social insurance	87055	123868	92003	130908
Electrical energy	67550	96115	60656	86306
Costs of depreciation of fixed	52268	74371	51621	73450
The rest of expenses	103542	147327	96055	136674
<b>Expenses in total</b>	<b>1583047</b>	<b>2252473</b>	<b>1850959</b>	<b>2633677</b>
Correction of expenses				
Changes of remains of unfinished production	18869	26848	-17405	-24765
Changes of remains of self-made punches, molds and materials	-17678	-25154	-9985	-14207
Changes of remains of complete product	17547	24967	-60361	-85886
Changes of remains self-made fixed assets	-30339	-43168	-27170	-38659
<b>Total</b>	<b>1571446</b>	<b>2235965</b>	<b>1736038</b>	<b>2470160</b>

## 25. Distribution expenses

<b>The main elements of expenses</b>	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Wages	13179	18752	16616	23642
Social expenses	3104	4417	3954	5626
The rest of expenses	8417	11976	5615	7989
Total	24700	35145	26185	37258

## 26. Administration expenses.

<b>The main elements of expenses</b>	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Wages	112243	159707	121049	172237
Social expenses	25942	36912	28045	39904
The rest of expenses	11766	16742	12718	18096
Provisions	600	854	1000	1423
Total	150551	215215	162812	231661

## 27. The rest of incomes for economic activity

<b>Sort of revenue</b>	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Sales of current assets	27080	38531	17130	24374
Incomes from exchange rate fluctuations	1438	2046	0	0
The rest of incomes	16622	23651	6837	9728
Total	45140	64228	23967	34102

## 28. The rest of expenses for economic activity of enterprise.

	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Expenses for social sphere	3759	5349	3887	5531
Expenses, unrelated with economic activity, donations	13652	19425	13551	19281
average from exchange rate fluctuations.			7752	11030
Revaluation reserve			0	0
harm recompense	13179	18752	12980	18469
Other expenses	3805	5414	0	0
Total	34395	48939	38170	54311

**29. Interest, interest cover**

	31.12.08. LVL	31.12.08. EUR	31.12.07. LVL	31.12.07. EUR
Interest	7958	11323	5530	7868
Interest cover	645	918	552	785
Total	8603	12241	6082	8654



### 3..Report of Direction

The modus operandi of joint stock company "KURZEMES ATSLĒGA 1" in 2008 was unchanged, the enterprise continues production of door locks and ironmongery, fittings for furniture, wrought iron for gates and fences, technological equipment and so on.

A/S "KURZEMES ATSLĒGA 1" Share capital are 918144 LVL, net sales - 1764.0 thousand LVL, retained earnings 10539 Earnings per stock 31.12.2007. 0.01 LVL, 0.02 EUR

Net sales in comparison with the last year has decreased for 9,8 %  
 . The volume of sold products has divided as follows:

- The sales in Latvian market: - 55,5%
- Export – 44,5%

The increase of charges has caused not only by an increase of charges on material resources, but also by necessity to raise earnings to involve human resources. The number of personnel in December 31, 2008 was 177, the average earnings for the 2008 was 256.00 LVL. The average number of personnel in 2007 was 188, the average earnings – 236 LVL. The average earnings in comparison with corresponding period of previous year had increased on 9,7%.

#### EVENTS AFTER THE DATE OF BALANCE

From the time when the balance is dated up to the date when the financial report is approved for publishing no significant events that could have had an effect on the estimations of the annual report have taken place.

#### AS "KURZEMES ATSLĒGA 1" Management report for year 2009

After receiving non-audited figures of last year and analysis of last quarter of year 2008, board of the company has set the following targets for the year 2009:

1. develop the plan (and implement) to remarkably reduce the costs which are related to administrative apparatus;

2. perform the optimization of the production:
  - a. with less human resources achieve higher output capacity;
  - b. optimize the production processes – actions;
  - c. implement into the production computerized Manufacturing Planning System for easier production overview, production planning, inventory supervision as well as financial report supervision.
3. perform active marketing activities to acquire new markets, by taking the part in the international fairs and trade missions, as well as by such activities enlarge the market share in local, Latvian market
4. develop new products and product lines in cooperation with independent designers
5. reduce costs which are related to the central heating in Winter time with 50%
6. make the agreement with cooperation partners for the raw material purchases, which will allow to reduce raw material purchase costs for at least 10% as it has been now.

As Kurzemes Atslega 1 is the only one in Latvia locks, its mechanisms, handles etc. product manufacturer and the trade mark MFR is recognized not only in Latvia, during year 2009 will be a number of activities made to reach such financial and production results in year 2010, as were in year 2007, taking into consideration the global economical situation.

Chairman of the Board:

Eriks Mikstas

Members of the Board:

Inara Burve

Aldis Ozols

February 27, 2008

**Aizpute**

**Statement of responsibility of direction.**

Non-audited report of 2008 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 semiannual report of 2008 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

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Chairman of the Board	Eriks Mikstas
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Member of the Board	Aldis Ozols
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Member of the Board	Inara Burve
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