

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

**ANNUAL REPORT FOR 9 MONTHS
OF THE YEAR 2008
(NON-AUDITED)**

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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	1 January 2008 – 30 September 2008
Members of Supervisory Council (until April 19 ,.2008)	Peteris Fridenbergs – Chairman of Supervisory Council Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller
Members of Supervisory Council (from April 19 ,.2007)	Voldemars Magone - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council Peteris Fridenbergs – Chairman of Supervisory Council Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council,
Members of Board	Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC,, Technologic - Mechanic
Chairman of Board	Valdis Bikis

3..Report of Direction

The modus operandi of joint stock company "KURZEMES ATSLEGA 1" in the 1st nine months of 2008 was unchanged, the enterprise continues production of door locks an 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 1352.- thousand . LVL., loss - 18701 LVL

Net sales in comparison with the 9 month of 2007 has decreased for 7 % . The volume of sold products has divided as follows:

- The sales in Latvian market: - 49.43.%,
- Export – 50.57%.

The number of personnel in September 30,2008 was 165, the average earnings for the first nine months 2008 was 260.- LVL. The number of personnel in September 30,2007 was 189, the average earnings – 236 _ LVL.

The average earnings in comparison with corresponding period of previous year had increased on 10.17 %

Statement of responsibility of direction.

Non-audited report of the first 9 months 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 report of the first 9 months 2008 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Valdis Bikis
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Member of the Board	Inara Burve
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Member of the Board	Aldis Ozols
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BALANCE SHEET FOR 9 MONTHS OF 2008

ASSETS 1	Row code	30.09.08. LVL	30.09.07. LVL	30.09.08 EUR	30.09.07. EUR
1.LONG TERM INVESTMENT					
1.Concessions, patents, licences		2704	1856	3847	2641
Total		2704	1856	3847	2641
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		389306	383258	553933	559556
2.Equipment and machinery		191499	173288	272479	246567
3.Other fixed assets		52858	61696	75210	87785
4.Fixed assets development costs		56924	74065	80996	105385
5.Prepayment for fixed assets					
II Total fixed assets		690587	702307	982617	999293
1.Total LONG TERM INVESTMENT		693291	704163	986464	1001934
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		309209	342005	439965	486629
2.Work in progress		180917	180195	257422	256394
3.Finished goods and goods for sale		159574	109182	227053	155352
5.Advance payment for goods		23896	33367	34001	47477
I. Total inventories		673596	664749	958441	945853
II. Debtors					
1.Trade debtors	1	173070	165071	246256	234875
4.Other debtors		834	1460	1187	2077
7.Deferred expenses		806	1488	1147	2117
II. Total debtors		174710	168019	248590	239069
III. Securities and capital participation					
IV . Cash		2556	18463	3637	26270
2.Total current assets		850862	851231	1210668	1211193
Total assets		1544153	1555394	2197132	2213126

LIABILITIES 1	Row code	30.09.08. LVL	30.09.07. LVL	30.09.08 EUR	30.09.07. EUR
1.CAPITAL					
1.Share capital	2	918144	918144	1306401	1306401
3.Revaluation reserve		9142	9142	13008	1008
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit					
a) previous years retained profit		279198	285571	397263	406331
current year profit		-18701	11052	-26609	15726
1Total Capital and reserves		1187783	1223909	16901063	1741466
2.PROVISIONS		27805	0	39563	0
3.CREDITORS					
1.Long term creditors					
Other loans	3	11620	30922	16534	43998
.Amounts payable to associated companies	3	16381	31364	23308	44627
Deferred tax	3	27672	45004	39374	64035
Deferred income	3	11183	16439	15912	23391
1.Total long term creditors		66856	123729	95128	176051
2.Short-term creditors					
3. Other loans	4	4825	4779	6865	6800
4. Bank loan	5	59474	58200	84624	82811
5.Advances received from customers		11349	2305	16248	3280
6.Trade creditors		134720	94896	191689	135025
8.Amounts payable to associated companies		6152	5597	8754	7964
10.Taxes and social security payments	6	20419	21467	29054	30545
11.Other creditors	7	23838	20555	33918	28536
Deferred income		932	457	1326	650
Deferred liabilities					
2. Total short-term creditors		261709	207756	372378	295610
Total creditors		328565	331485	467506	471661
Total liabilities		1544153	1555394	2197132	2213126

1 EUR 30.09.2008 ,30.09.2007

0.702804 LVL

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

Profit or loss account
FOR 9 MONTHS 2008

N.	Item	line No	30.09.08.	30.09.07.	30.09.08.
			LVL	LVL	EUR
1	Net sales	1	1351962	1453264	1923669
2	Cost of sales	2	-1208306	-1285632	-1719265
3	Gross profit		143656	167632	204404
4	Distribution expenses	3	-18271	-19416	-25997
5	Administration expenses	4	-113364	-125309	-161302
6	Other operating income	5	29024	20075	41297
7	Other operating expenses	6	-48707	-22646	-69304
8	Income from participation in subsidiary capital				
10	Income from other interest and similar incomes		0	27	0
11	Long term investments and short-terms bond write-off				
12	Interest paid and similar expense		-7005	-3497	-9967
13	Operating profit		-14667	16866	-20869
14	Extraordinary income				
15	Extraordinary expenses				
16	Profit before taxes		-14667	16866	-20869
16	Corporate income tax		0	-203	0
17	Other taxes		-4034	-5611	-5740
18	19Net profit for the year		-18701	11052	-26609

Earnings per stock 30.09.2007. 0.005 LVL, 0.007 EUR

Losses per stock 30.09.2008. 0.02 LVL, 0.03 EUR

The name of enterprise:

Joint-stock company "KURZEMES ATSLEGA 1"

Reg.No..

40003044007

Address:

Kalvenes street 27, Aizpute, district Liepāja, LV3456, Latvia

CASH FLOW STATEMENT FOR 9 MONTHS OF 2008

(Cash flow statement, prepared using indirect method)

Indices	Appen	30.09.08.	30.09.07.	30.09.08.	30.09.2007
	ndices	LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-14677	16866	-20883	23998
Corrections:		45805	27213	65175	38721
a) Wear and tear of fixed assets;		38800	23743	55207	33783
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			-27		-38
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		7005	3947	9967	4976
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		31128	44079	44291	62719
Adjustments:		-171	-27248	-244	-38770
a) Increase or decrease of residues of debts of debtors;		-30047	-575	-42753	-818
b) Increase or decrease of residues of resources;		28028	-36971	39880	-52605
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		1848	10297	2629	14651
3. The gross cash flow of basic activity.		30957	16831	44048	23948
4. Expenses for interest payments.		-7005	-3497	-9967	-4976
5. Expenses for payments of enterprise income tax		0	-203	0	-289
6. Expenses for fixed asset tax payments		-4034	-5611	-5740	-7984
7. Cash flow before extraordinary items.		19918	7520	28341	10700
8. Cash flow from extraordinary items.					

8. The net cash flow of basic activity**19918****7520****28341****10700**

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		-31937	-33930	-45442	-48276
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests					
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-31937	-33930	-45442	-48278
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		1574	32800	2240	46670
3. Financial aids, pump-priming, presents or donations received			18256		25976
4. Expenses for repayment of loans		-14476	-14336	-20597	-20398
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-12902	36720	-18357	52248
			0		0
			0		0
IV. The result of exchange rate fluctuations of foreign currency.		0	0	0	0
			0		0
V. The net cash flow of year of account		-24291	10310	-35459	14670
VI. The reminder of currency and its equivalents at the beginning of year of account.		27477	8153	39096	11600
VII. The reminder of currency and its equivalents at the end of year of account.		2556	18463	3637	26270

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2008,
 (LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2006 LVL	918144	9142		259924	1187210
Current year profit				19274	19274
Revaluation reserve dividend paid					
As of 31.December 2007 LVL	918144	9142		279198	1206484
dividend paid					
Current year profit				-18701	-18701
Revaluation reserve					
As of 30 September 2008LVL	918144	9142		260497	1187783

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STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2008
 (EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2006	1306401	13008		369839	1689248
Current year profit				27424	27424
Revaluation reserve dividend paid					
As of 31.December 2007	1306401	13008		397263	1716672
dividend paid					
Current year profit				-26609	-26609
Revaluation reserve					
As of 30 September 2008	1306401	13008		370654	1690063

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 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, konstrukcion	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. Trade debtors.

	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Trade debtors	174657	168369	248515	239568
Reserve for debts	1587	3298	2258	4693
Net Value trade debtors	173070	165071	246256	234875

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

3. Other borrowings (long term creditors)

Creditors	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Nordic Environment Finance Corporacion	3833	19168	5454	27274
NORD LB/Lizings	7787	11754	11080	16724
Total	16381	31364	23308	44627
A/S ‘Kurzemes atslega’	27672	45004	39374	64035
Deferred tax	11183	16439	15912	23391
Deferred income	66856	123729	95128	176051
Total	3833	19168	5454	27274

4. Other borrowings (Short-term creditors)

Creditors	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Nordic Environment Finance Corporacion	1525	3833	2170	5754
NORD LB/Lizings	3300	946	4695	1346
Total	4825	4779	6865	6800

5. Borrowings from credit institutions.

Creditors	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
A/S NORD /LB Latvija	59474	58200	84624	82811

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Income tax of inhabitants	4711	5518	6703	7851
Obligatory payments of the state social insurance	12977	14530	18465	20675
Other tax	2731	1419	3886	2019
Total	20419	21467	29054	30545

7. The rest of creditors.

Kind of creditors	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Wages for September	20935	19297	29788	27457
Other creditors	2903	758	4130	1078
Total	23838	20055	33918	28536

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Incomings from production of locks and ironmongery	1314292	1410976	1870069	2007638
Incomings from sales of goods in shop	23634	26614	33628	37868
Incomings from rendering of services	388	3477	552	4947
Incomings from rendering of public facilities	13648	12197	19420	17355
Total:	1351962	1453264	1923669	2067808

2. Production costs of sales.

The main elements of expenses	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Material costs	696335	805300	990795	1145839
Wages	284883	284690	405352	405077
Obligatory payments of the state social insurance	67825	67985	96506	96734
Electrical energy	45476	37916	64707	53950
Costs of depreciation of fixed	38800	35827	55207	50977
The rest of expenses	41617	78947	59216	112331
Expenses in total	1174936	1310665	1671783	1864908
Correction of expenses			0	
Changes of remains of unfinished production	28862	9584	41067	13636
Changes of remains of self-made punches, molds and materials	0	-25800	0	-36710
Changes of remains of complete product	22860	12508	32527	17797
Changes of remains self-made fixed assets	-18352	-21595	-26112	-30728
Total	1208306	1285632	1719265	1828905

3. Distribution expenses

The main elements of expenses	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Wages	9644	13906	13722	19786
Social expenses	2309	3214	3285	4573
The rest of expenses	6318	2296	8990	3267
Total	18271	19416	25997	27626

4. Administration expenses.

The main elements of expenses	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Wages	85208	86077	121240	122477
Social expenses	19716	20294	28053	28876
The rest of expenses	8440	18938	12009	26946
Total	113364	125309	161302	178299

5. The rest of incomes for economic activity

Sort of revenue	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
Sales of current assets	25621	13571	36455	19310
The rest of incomes	3403	6504	4842	9254
Total	29024	20075	41297	28564

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
First cost of sold current assets	22650	13201	32228	18783
Expenses for social sphere	13196	4434	18776	6309
Expenses, unrelated with economic activity, donations	12861	5011	18300	7130
Heads of expenditure	48707	22646	69304	32222

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols