

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**ANNUAL REPORT FOR 6 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 June 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
Auditor	Certified Auditor Aivars Rutkis , Certificate Nr. 18

3..Report of Direction

The modus operandi of joint stock company "KURZEMES ATSLEGA 1" in the 1st half 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 951.2 thousand . LVL, retained earnings 6167.- LVL, Earnings per stock 0.007 LVL , 0.01 EUR

Net sales in comparison with the 1 st half of 2007 has increased for 1.2 % . The volume of sold products has divided as follows:

- The sales in Latvian market: - 45.9%,
- Export – 54.1%.

The increase of charges has caused not only by a increase of charges on material resources, but also by necessity to raise earnings to involve a human resources. The number of personnel the 1st half of 2008 was 171, the average earnings for the 1st half of 2008 was 257.00 LVL. The average number or personnel in 2007 was 191, the average earnings – 224 LVL. The average earnings in comparison with corresponding period of previous year had increased on 14.7%.

Statement of responsibility of direction.

Non-audited report of the first 6 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 6 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 6 MONTHS OF 2008

ASSETS 1	Row code	30.06.08. LVL	30.06.07. LVL	30.06.08 EUR	30.06.07. 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.		389307	395717	553934	563055
2.Equipment and machinery		191449	180570	272407	256928
3.Other fixed assets		52858	63947	75210	90988
4.Fixed assets development costs		51024	62963	72601	89588
5.Prepayment for fixed assets					
II Total fixed assets		684638	703197	974152	1000559
1.Total LONG TERM INVESTMENT		687342	704053	978000	1003200
2.CURRENT ASSETS					
1. Inventories					
1.Raw materials		272578	292889	387843	416743
2.Work in progress		208185	195222	296221	277776
3.Finished goods and goods for sale		152967	135047	217652	192155
5.Advance payment for goods		35435	32352	50419	46033
I. Total inventories		669165	655510	952135	932707
II. Debtors					
1.Trade debtors	1	193467	148994	275279	211999
4.Other debtors		828	1468	1178	2089
7.Deferred expenses		806	9768	1147	13899
II. Total debtors		195101	160230	277604	227987
III. Securities and capital participation					
IV . Cash		17168	5791	24428	8240
2.Total current assets		881434	821531	1254167	1168934
Total assets		1568776	1526584	2232167	2172134

LIABILITIES 1	Row code	30.06.08. LVL	30.06.07. LVL	30.06.08 EUR	30.06.07. EUR
1.CAPITAL					
1.Share capital	2	918144	917144	1306401	1306401
3.Revaluation reserve		9142	9142	13008	13008
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit					
a) previous years retained profit		279198	285571	397263	406331
current year profit		6167	10021	8775	14259
1Total Capital and reserves		1212651	1222878	1725447	1739999
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	25537	31714	36336	45125
Deferred tax	3	27672	45004	39374	64035
Deferred income	3	11183	16439	15912	23391
1.Total long term creditors		76012	124079	108156	176549
2.Short-term creditors					
3. Other loans	4	9651	9558	13732	13600
4..Bank loan	5	57661	49000	82044	69721
5.Advances received from customers		17557	5113	24981	7275
6.Trade creditors		109271	64371	155478	91592
8.Amounts payable to associated companies					
10.Taxes and social security payments	6	32886	29596	46793	42111
11.Other creditors	7	23418	21076	33321	29988
Deferred income		1864	913	2652	1299
Deferred liabilities					
2. Total short-term creditors		252308	179627	359001	255586
Total creditors		328320	303706	467157	432135
Total liabilities		1568776	1526584	2232167	2172134

1 EUR 30.06.2008 ,30.06.2007

0.702804 LVL

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

Profit or loss account
FOR 6 MONTHS 2008

N.	Item	line No	30.06.08.	30.06.07.	30.06.08.	30.06.07.
			LVL	LVL	EUR	EUR
1	Net sales	1	951260	940206	1355521	1337793
2	Cost of sales	2	(852293)	(832091)	(1214127)	(1183959)
3	Gross profit		97967	108115	139394	153834
4	Distribution expenses	3	(8656)	(8653)	(12316)	(12312)
5	Administration expenses	4	(74439)	(82016)	(105903)	(116998)
6	Other operating income	5	20684	19188	29431	27302
7	Other operating expenses	6	(21255)	(21057)	(30243)	(29961)
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes					
11	Long term investments and short-terms bond write-off					
12	Interest paid and similar expense		(4936)	(1900)	(7023)	(2704)
13	Operating profit		9375	13677	13340	19461
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		9375	13677	13340	19461
16	Corporate income tax			(203)		(289)
17	Other taxes		(3208)	(3453)	(4565)	(4913)
18	Deferred tax					
18	19Net profit for the year		6167	10021	8775	14259

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 6 MONTHS OF 2008

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.06.08.	30.06.07.	30.06.08.	30.06.2007
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
1.					
1. Profit or loss before extraordinary items and taxes.		9375	13677	13340	19461
Corrections:		30657	25643	43621	36487
a) Wear and tear of fixed assets;		25721	23743	36598	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					
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		4936	1900	7023	2704
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		40032	39320	56961	55947
Adjustments:		-16569	-43590	-23576	-42023
a) Increase or decrease of residues of debts of debtors;		-50438	7214	-71767	10264
b) Increase or decrease of residues of resources;		32459	-27732	46185	-39459
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		1410	-23072	2006	-32828
3. The gross cash flow of basic activity.		23463	-4270	33385	-6076
4. Expenses for interest payments.		-4936	-1900	-7023	-2703
5. Expenses for payments of enterprise income tax			-203		-289
6. Expenses for fixed asset tax payments		-3208	-3453	-4565	-4913
7. Cash flow before extraordinary items.		15319	-9826	21797	-13981
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		15319	-9826	21797	-13981

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		-15739	-24875	-22395	-35394
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		-15739	-24875	-22395	-35394
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received			23600		33580
3. Financial aids, pump-priming, presents or donations received			18266		25990
4. Expenses for repayment of loans		-9889	-9527	-14070	-13556
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-9889	32339	-14070	46014
			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		-10309	-2362	-14070	-3361
VI. The reminder of currency and its equivalents at the beginning of year of account.		27477	8153	39096	11601
VII. The reminder of currency and its equivalents at the end of year of account.		17168	5791	24428	8240

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 6 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				6167	6167
Revaluation reserve					
As of 30 June 2008LVL	918144	9142		285365	1212651

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY

FOR 6 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				8775	8775
Revaluation reserve					
As of 30 June 2008	1306401	13008		406038	1725447

Accounting policy

.I. Geberal 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
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 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.

	30.06.2008. LVL	30.06.2007. LVL	30.06.2008 EUR	30.06.2007. EUR
Trade debtors	195182	150829	277719	214610
Reserve for debts	1715	1835	2440	2611
Net Value trade debtors	193467	148994	275279	211999

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

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3.Other borrowings (long term creditors)

Creditors	30.06.2008 LVL	30.06.2007 LVL	30.06.2008 EUR	30.06.2007 EUR
Nordic Environment Finance Corporation	3833	19168	5454	27274
NORD LB/Lizings	7787	11754	11081	16724
Total	11620	30922	16534	43998
A/S ‘Kurzemes atslega’	25537	31714	36334	47548
Deferred tax	27672	45004	39373	64034
Deferred income	11183	16439	15912	23392
Total	76012	124079	108154	178972

4. Other borrowings (Short-term creditors)

Creditors	30.06.2008 LVL	30.06.2007 LVL	30.06.2008 EUR	30.06.2007 EUR
Nordic Environment Finance Corporacion	7669	7667	10912	1090+
NORD LB/Lizings	1982	1891	2820	2691
Total	9651	9558	13732	13600

5. Borrowings from credit institutions.

Creditors	30.06.08. LVL	30.06.07. LVL	30.06.08 EUR	30.06.07. EUR
A/S NORD /LB Latvija	57660	49000	82042	69721

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Income tax of inhabitants	5214	7004	7419	9966
Obligatory payments of the state social insurance	27038	14263	38472	20294
Other tax	634	8329	902	11851
Total	32886	29596	46793	42111

7. The rest of creditors.

Kind of creditors	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Wages for June	20903	20096	29742	28594
Other creditors	2515	980	3579	1394
Total	23418	21076	33321	29988

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Incomings from production of locks and ironmongery	921422	914164	1311065	1300738
Incomings from sales of goods in shop	14920	15261	21229	21714
Incomings from rendering of services	378	931	538	1325
Incomings from rendering of public facilities	14540	9850	20689	14016
Total:	951260	940206	1353521	1337793

2. Production costs of sales.

The main elements of expenses	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Material costs	513637	512838	730840	729702
Wages	191026	192353	271805	273693
Obligatory payments of the state social insurance	44031	42925	62650	61077
Electrical energy	29100	32299	41406	45958
Costs of depreciation of fixed	25721	23743	36597	33784
The rest of expenses	36173	53928	51470	76733
Expenses in total	839688	858086	1194768	1220947
Correction of expenses			0	
Changes of remains of unfinished production	-1000	-5443	-1423	-7745
Changes of remains of self-made punches, molds and materials	-2539	0	-3613	0
Changes of remains of complete product	28072	-13557	39944	-19290
Changes of remains self-made fixed assets	-10928	-6995	-15549	-9953
Total	853293	832091	1214127	1183959

3. Distribution expenses

The main elements of expenses	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
Wages	6891	5438	9805	7737
Social expenses	1117	1310	1589	1864
The rest of expenses	648	1905	922	2711
Total	8656	8653	12316	12312

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	57378	62236	81642	88554
Social expenses	11136	14993	15845	21334
The rest of expenses	5915	4787	8416	6810
Total	74429	82016	105903	116698

5. The rest of incomes for economic activity

Sort of revenue	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Sales of current assets	18320	10891	26067	15497
The rest of incomes	2364	8297	3364	11805
Total	20684	19188	29431	27302

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.08. LVL	30.06.07. LVL	30.06.08. EUR	30.06.07. EUR
First cost of sold current assets	11283	10620	16054	15111
Expenses for social sphere	2433	1887	3462	2685
Expenses, unrelated with economic activity, donations	7539	8550	10727	12165
Heads of expenditure	21255	21057	30243	29961

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols