

JOINT STOCK COMPANY

“KURZEMES ATSLEGA 1”

LV40003044007

**Non-audited
FINANCIAL REPORT
31 March 2008**

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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, 2005– December 31, 2005
Members of Supervisory Council (until April 19 ,2008)	<p>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</p> <p>Voldemars Magone - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council</p>
Members of Supervisory Council (from April 19 ,2008)	<p>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</p> <p>Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council,</p>
Members of Board	<p>Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC,, Technologic - Mechanic</p>
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 first quarter 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.

Net sales in comparison with the first quarter 2007 has decreased for 1.2 % . The volume of sold products has divided as follows:

- The sales in Latvian market: - 43.%,
- Export – 57%.

By the side of first quarter 2007, the export of products has increased on 11.5% . In first quarter 2008 there were decreased also the sales in Latvia- the amount of sales in first quarter 2008 was 78 % .from sales in first quarter 2007.The loss on march 31,2008 is LVL 6777.

The primary goal for AS " KURZEMES ATSLEGA 1" in 2008 is the increase in volume of profit.

To reach this goal, it is planned as follows:

- 1) To increase a sales volume of production in 2008 by 10.00 %.
- 2)In circumstances of existence of high inflation and the unstable prices of material resources pay the greatest attention to reduction of charges:
 - Draw up the plan of reduction of reduction of the charge of power charges.

To estimate opportunities to increase the proportion of purchased products and accessories in the general charges, thus partially solve the problem of a labor force

May 30 2008

Aizpute

Statement of responsibility of direction.

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

Registration Nr. 40003044007

VAT Reg. nr. LV 40003044007

Adress : Kalvenes -27, Aizpute, LV 3456

UNIT :LVL, EUR

BALANCE SHEET

On 31 March 2008.

ASSETS 1	Row code	31.03.08. LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
1.LONG TERM INVESTMENT					
1.Concessions, patents, licences	60	2704	2088	3547	2971
Total	61	2704	2088	3547	2971
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	70	392596	398176	558613	566553
2.Equipment and machinery	90	197025	177400	280341	252417
3.Other fixed assets	100	56588	67691	80517	96316
4.Fixed assets development costs	110	46772	51982	66550	73964
5.Prepayment for fixed assets	120				
II Total fixed assets	130	692981	695249	986021	989250
1.Total LONG TERM INVESTMENT	230	695685	697337	989868	992221
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	295567	306993	420554	436812
2.Work in progress	250	205185	187779	291952	267185
3.Finished goods and goods for sale	260	148677	121281	211548	172567
5.Advance payment for goods	280	41172	17470	58591	24858
I. Total inventories	300	690601	633523	982635	901422
II. Debtors					
1.Trade debtors	310	161607	213057	229946	303152
4.Other debtors	340	3785	1307	5386	1860
7.Deferred expenses	370	605	194	861	276
II. Total debtors	380	165997	214558	236193	305288
III. Securities and capital participation					
IV . Cash	430	18473	8555	26285	12173
2.Total current assets	440	875071	856636	1245113	1218883
Total assets	450	1570756	1553973	2234981	2211104

LIABILITIES 1	Row code	31.03.08. LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
1.CAPITAL					
1.Share capital	460	918144	917144	1306401	1306401
3.Revaluation reserve	480	9142	9142	13008	13008
4.Reserves					
a)legal reserves	490				
4.Total reserves	530				
5.Retained profit					
a) previous years retained profit	540	279198	285571	397263	406331
current year profit	550	-6777	3281	-9643	4668
1Total Capital and reserves	560	1199707	1216138	1707029	1730408
2.PROVISIONS		27805		3953	
3.CREDITORS					
1.Long term creditors					
Other loans	640	11621	30922	16535	43998
.Amounts payable to associated companies	650	25536	33417	36334	47548
Deferred tax	660	27672	45004	39373	64035
Deferred income	670	11183	16439	15912	23391
1.Total long term creditors	750	76012	125782	108154	178972
2.Short-term creditors					
3. Other loans	780	14476	14336	20597	20398
4..Bank loan	790	54290	36700	77248	52219
5.Advances received from customers	800	9308	4102	13244	5837
6.Trade creditors	810	120334	88502	171220	125927
8.Amounts payable to associated companies	830	2667	11145	3795	15858
10.Taxes and social security payments	850	36992	32771	52365	46629
11.Other creditors	860	25368	22671	36095	32258
Deferred income	870	2796	1826	3978	2598
Deferred liabilities		1000	0	1423	
2. Total short-term creditors	900	267232	212053	380235	301724
Total creditors	910	343244	337835	488389	480696
Total liabilities	920	1570756	155973	2234981	2211104

1 EUR 31.03.2007,31.03.2008 0.702804

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

Profit or loss account
 31 March 2008

N.	Item	line No	31.03.08.	31.03.07	31.03.08	31.03.07
			LVL	LVL	EUR	EUR
1	Net sales	10	493362	499373	701991	710544
2	Cost of sales	20	-450623	-450072	-641179	-640395
3	Gross profit	30	42739	49301	60812	70149
4	Distribution expenses	40	-7635	-4351	-10864	-3191
5	Administration expenses	50	-38865	-39023	-55300	-55525
6	Other operating income	60	8949	5623	12733	8001
7	Other operating expenses	70	-10451	-7028	-14870	-10000
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100				
11	Long term investments and short-terms bond write-off	110				
12	Interest paid and similar expense	120	-1514	-1090	-2154	-1551
13	Operating profit	130	-6777	3432	-9643	4883
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	-6777	3432	-9643	4883
16	Corporate income tax	170		-152		-216
17	Other taxes	180				
18	Deferred tax	181				
18	19Net profit for the year	190	-6777	3281	-9643	4667

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 31 March 2008

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	31.03.08.	31.03.07	31.03.08	31.03.07
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
i.					
1. Profit or loss before extraordinary items and taxes.		-6777	3532	-9643	4833
Corrections:		15216	12870	21650	18312
a) Wear and tear of fixed assets;		13702	11780	19496	16761
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		1514	1090	2154	1551
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		8439	16302	12007	23195
Adjustments:		1750	-28148	2489	-40050
a) Increase or decrease of residues of debts of debtors;		-21334	-47114	-30356	-67037
b) Increase or decrease of residues of resources;		11023	-5745	15684	-8174
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		12061	24711	17161	35161
3. The gross cash flow of basic activity.		10189	-11846	14496	-16855
4. Expenses for interest payments.		-1514	-1090	-2154	-1551
5. Expenses for payments of enterprise income tax			-152		-216
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		8675	-13088	12343	-18622
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		8675	-13088	12343	-19622

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		-9244	-2195	-13153	-3123
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		-9244	-2195	-13153	-3123
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.			18266		25990
2. Loans received					
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-8453	-2581	-12002	-3602
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-8453	15685	-12002	22318
			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		-9004	402	-12812	573
VI. The reminder of currency and its equivalents at the beginning of year of account.		27477	8153	39097	11601
VII. The reminder of currency and its equivalents at the end of year of account.		18473	8555	26285	12173

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

STATEMENT OF CHANGES IN EQUITY
 31 March 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				-6777	-6777
Revaluation reserve					
As of 31March 2008LVL	918144	9142		272421	1199707

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

STATEMENT OF CHANGES IN EQUITY
 31 March 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				-6777	-6777
Revaluation reserve					
As of 31 March 2008	1306401	13008		387620	1707029

Accounting policy

.I. Geberal oprinciples

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. Other debtors.

Kind of debtor	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Overpayment of income-tax of enterprise	378	1307	538	1860
Debtors of service	2946		4193	
Other debtors	461		655	
Kopā	3785	1307	5386	1860

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	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Nordic Environment Finance Corporacion	3833	19168	5454	27274
NORD LB/Lizings	7787	11754	11081	16724
A/S ‘Kurzemes atslega’	25537	33417	36334	47548
Deferred tax	27672	45004	39373	64034
Deferred income	11183	16439	15912	23392
Total	76012	125782	108154	178972

4. Other borrowings (Short-term creditors)

Creditors	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Nordic Environment Finance Corporacion	10695	11501	15203	16364
NORD LB/Lizings	3781	2835	5394	4034
Total	14476	14336	20597	20398

5. Borrowings from credit institutions.

Creditors	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
A/S NORD /LB Latvija	54290	36700	77248	52219

6. Liabilities to associated Enterprises

Busines partner	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
A/S "Kurzemes atslega"	2667	11145	3795	158580

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Income tax of inhabitants	5354	6384	7618	9084
Obligatory payments of the state social insurance	28229	25813	40166	36729
Other tax	3409	574	4851	816
Total	36992	32771	52365	46629

8. The rest of creditors.

Kind of creditors	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Wages for March	23264	20063	33614	29539
Other creditors	174	2608	2481	3305
Total	25368	22761	36095	32844

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Incomings from production of locks and ironmongery	474092	486245	674573	691864
Incomings from sales of goods in shop	7332	5827	10432	8291
Incomings from rendering of services	172	1100	245	1565
Incomings from rendering of public facilities	11766	6201	16741	8823
Total:	493662	499373	701991	710543

2. Production costs of sales.

The main elements of expenses	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Material costs	252643	284167	359479	404333
Wages	96291	104890	137009	149245
Obligatory payments of the state social insurance	22953	25269	32659	35955
Electrical energy	18320	17310	26067	24630
Costs of depreciation of fixed	12787	11780	18194	16761
The rest of expenses	21723	25128	30909	35754
Expenses in total	424717	468544	604317	666678
Correction of expenses				
Changes of remains of unfinished production	2505	-8205	3564	-11675
Changes of remains of self-made punches, molds and materials				
Changes of remains of complete product	23401	-10267	33298	-14608
Changes of remains self-made fixed assets				
Total	450623	450072	641179	640395

3. Distribution expenses

The main elements of expenses	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Wages	2514	3076	3577	4377
Social expenses	606	742	862	1056
The rest of expenses	4514	533	6422	758
Total	7634	4351	10861	6191

4. Administration expenses.

The main elements of expenses	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
Wages	29050	28495	41334	41185
Social expenses	6740	6973	9590	9922
The rest of expenses	3075	3105	4375	4418
Total	38865	39023	55299	555525

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	8449	5623	12022	8001
The rest of incomes	500		711	
Total	8949	5623	12733	8001

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.08 LVL	31.03.07 LVL	31.03.08 EUR	31.03.07 EUR
First cost of sold current assets	7350	4980	10458	7087
Expenses for social sphere	1397	1048	1988	1491
Expenses, unrelated with economic activity, donations	1704	1000	2425	1422
Heads of expenditure	10451	7028	14871	10000

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols