

**JOINT STOCK COMPANY**  
**“KURZEMES ATSLEGA 1”**  
**LV40003044007**

**Non-audited**  
**FINANCIAL REPORT**  
**30 September 2007**

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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, 2007– September 30, 2007
Members of Supervisory Council ( until May 15 ,.2007)	<b>Valdis Bikis</b> – "KURZEMES ATSLEGA 1", JSC, Technical Director – Chairman of Supervisory Council <b>Peteris Hanka</b> – Member of Supervisory Council,, <b>Guntars Stekjanis</b> – KURZEMES ATSLEGA 1", JSC, economist, Member 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 May 15, .2007)	<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>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,
Members of Board ( Until 15.May 2007 )	<b>Janis Plume</b> – Member of Board, "Kurzemes Atslega 1", JSC, Production Manager <b>Inara Burve</b> – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant.
Members of Board ( From 15.May 2007 )	<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 15 May 2007)	<b>Aivars Puisitis</b>
( From 15.MaiU 2007)	<b>Valdis Bikis</b>
Auditor	Certified Auditor <b>Aivars Rutkis</b> , Certificate Nr. 18

## **2.Report of Direction**

The modus operandi of joint stock company “KURZEMES ATSLEGA 1” in first nine months 2007 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.

The net turnover of first nine 2007 in comparison with the first nine months 2006 has increased on 12.09% and it makes thousands 1453.2 LVL.

The first nine months 2007, also as well as The first nine months 2006, is characterized by a significant increase of charges, therefore volume of profit is small. The retained earnings for September 30, 2007 was LVL 11052.

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 in September 30, 2007 was 189, the average earnings for the first nine months 2007 was 236.00 LVL. The average number or personnel in first nine months 2006 was 199, the average earnings – 197.47 LVL. The average earnings in comparison with corresponding period of previous year had increased on 17.0%.

To provide it, since Julyr 1, 2008. the sale prices of products will be risen.

November 26, 2007

Aizpute

**Statement of responsibility of direction.**

Non-audited report of first nine months 2007 ,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 2007 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	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 30 September 2007.

ASSETS 1	Row code	30.09.07. LVL	30.09.06 LVL	30.09.07. EUR	30.09.06 EUR
<b>1.LONG TERM INVESTMENT</b>					
1.Concessions, patents, licences	60	1856	2325	2641	3308
<b>Total</b>	61	1856	2325	2641	3308
<b>I. Intangible fixed assets</b>					
<b>II. Fixed assets</b>					
1. Land, building.	70	393258	398739	559556	567354
2.Equipment and machinery	90	173288	141385	246567	201173
3.Other fixed assets	100	61696	73995	87785	105285
4.Fixed assets development costs	110	74065	66934	105385	95239
5.Prepayment for fixed assets	120				
<b>II Total fixed assets</b>	130	<b>702307</b>	<b>681053</b>	<b>999293</b>	<b>969051</b>
<b>III. Long term financial investment</b>					
1.Other investment and securities	180				
2.Other loans	190				
<b>III Total Long term financial investment</b>	220				
<b>1.Total LONG TERM INVESTMENT</b>	230	<b>704163</b>	<b>683378</b>	<b>1001934</b>	<b>972359</b>
<b>2.CURRENT ASSETS</b>					
<b>1.Inventories</b>					
1.Raw materials	240	342005	341597	486629	486049
2.Work in progress	250	180195	170451	256394	242530
3.Finished goods and goods for sale	260	109182	130362	155352	185488
5.Advance payment for goods	280	33367		48477	
<b>I. Total inventories</b>	300	<b>664749</b>	<b>642410</b>	<b>945853</b>	<b>914067</b>
<b>II. Debtors</b>					
1.Trade debtors	310	165071	150927	234875	214750
4.Other debtors	340	1460	1423	2077	2025
7.Deferred expenses	370	1488	1488	2117	2117
<b>II. Total debtors</b>	380	<b>168019</b>	<b>153838</b>	<b>239069</b>	<b>218892</b>
<b>III. Securities and capital participation</b>					
<b>IV . Cash</b>	430	18463	4640	26270	6602
<b>2.Total current assets</b>	440	<b>851231</b>	<b>800888</b>	<b>1211193</b>	<b>1139561</b>
<b>Total assets</b>	450	<b>1555394</b>	<b>1484266</b>	<b>2213126</b>	<b>2111920</b>

LIABILITIES 1	Row code	30.09.07. LVL	30.09.06 LVL	30.09.07. EUR	30.09.06 EUR
<b>1.CAPITAL</b>					
1.Share capital	460	918144	918144	1306401	1306401
3.Revaluation reserve	480	9182	-94	13008	-134
4.Reserves					
a)legal reserves	490				
<b>4.Total reserves</b>	<b>530</b>				
5.Retained profit					
a) previous years retained profit	540	285571	326891	406331	465124
current year profit	550	11052	2985	15726	4247
<b>1Total Capital and reserves</b>	<b>560</b>	<b>1223909</b>	<b>1247926</b>	<b>1741466</b>	<b>1775638</b>
<b>2.PROVISIONS</b>					
<b>3.CREDITORS</b>					
<b>1.Long term creditors</b>					
Other loans	640	30922	46203	43998	65741
.Amounts payable to associated companies	650	31364	40375	44627	57448
Deferred tax	660	45004		64035	
Deferred income	670	16439		23391	
<b>1.Total long term creditors</b>	<b>750</b>	<b>123729</b>	<b>86578</b>	<b>176051</b>	<b>123189</b>
<b>2.Short-term creditors</b>					
3. Other loans	780	4779	8113	6800	11544
4..Bank loan	790	58200	10300	82811	14656
5.Advances received from customers	800	2305	5268	3280	7496
6.Trade creditors	810	94896	84088	135025	119646
8.Amounts payable to associated companies	830	5597	2437	7964	3468
10.Taxes and social security payments	850	21467	18467	30545	26276
11.Other creditors	860	20055	21089	28536	30007
Deferred income	870	457		650	
<b>2. Total short-term creditors</b>	<b>900</b>	<b>207756</b>	<b>149762</b>	<b>295610</b>	<b>213093</b>
<b>Total creditors</b>	<b>910</b>	<b>331485</b>	<b>236340</b>	<b>471661</b>	<b>336282</b>
<b>Total liabilities</b>	<b>920</b>	<b>1555394</b>	<b>1484266</b>	<b>2213126</b>	<b>2111920</b>

30.09.2006,30.09.2007 1EUR=0.702804 LVL



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

**Profit or loss account**  
 30 September 2007

N.	Item	line No	30.09.07.	30.09.06.	30.09.07.	30.09.06
			LVL	LVL	EUR	EUR
1	Net sales	10	1453264	1296473	2067809	1844715
2	Cost of sales	20	-1285632	-1171994	-1829290	-1667597
3	Gross profit	30	167632	124479	238519	177118
4	Distribution expenses	40	-19416	-12186	-27626	-17339
5	Administration expenses	50	-125309	-111082	-178299	-158055
6	Other operating income	60	20075	29732	28564	42305
7	Other operating expenses	70	-22646	-19899	-32222	-28314
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100	27	20	38	28
11	Long term investments and short-terms bond write-off	110				
12	Interest paid and similar expense	120	-3497	-2065	-4960	-2938
13	Operating profit	130	16866	8999	23998	12804
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	16866	8999	23998	12804
16	Corporate income tax	170	-203	-1753	-289	-2494
17	Other taxes	180	-5611	-4261	-7983	-6063
18	Deferred tax	181				
19	Net profit for the year	190	11052	2985	15726	4247

Earnings per stock 30.09.2006. 0.005 LVL , 0.007 EUR

Earnings per stock 30.09.2007. 0.012 LVL , 0.081 EUR

30.09.2006.,30.09.2007 1 EUR = 0.702804

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 30 September 2007**

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.09.07	31.09.06	31.09.07	31.09.06
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
<b>I. Operation activities</b>					
I.					
1. Profit or loss before extraordinary items and taxes.		16866	8999	23998	20804
Corrections:		27213	59300	38721	84377
a) Wear and tear of fixed assets;		23743	57255	33783	81467
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	-20	-38	-28
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		3497	2065	-4960	2938
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		44079	68299	62719	97181
Adjustments:		-27248	-50262	-38772	-71516
a) Increase or decrease of residues of debts of debtors;		-575	-8066	-818	-11477
b) Increase or decrease of residues of resources;		-36971	-67421	-52605	-95931
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		10297	25225	14651	35892
3. The gross cash flow of basic activity.		16831	18037	23948	25665
4. Expenses for interest payments.		-3497	-2065	-4960	-2938
5. Expenses for payments of enterprise income tax		-203	-1753	-289	-2494
6. Expenses for fixed asset tax payments		-5611	-4261	-7983	-6063
7. Cash flow before extraordinary items.		7520	9958	10670	14170
8. Cash flow from extraordinary items.					
<b>8. The net cash flow of basic activity</b>		<b>7520</b>	<b>9958</b>	<b>10670</b>	<b>14170</b>

1.	2.	3.	4.	5.	8.
			0		0
<b>II. Investing activities</b>					
1. Purchase of shares or parts of related or associated enterprises.		-33930	-54380	-48278	-77376
3. Purchase of fixed assets and nonmaterial investments			62376		88752
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests			20		28
8. Cash in deposit					
9. Received dividends					
<b>9. Net cash flow used in investing activities</b>		<b>-33930</b>	<b>8016</b>	<b>-48278</b>	<b>11404</b>
<b>III. Financing activities</b>					
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		32800	3092	46670	4400
3. Financial aids, pump-priming, presents or donations received		18256		25975	
4. Expenses for repayment of loans		-14336	-20395	-20398	-29019
5. Expenses for redemption of hired fixed assets					
6. Dividends paid			-2617		-3724
7. Changes of reserves					
<b>7. Net cash flow of financing activity</b>		<b>36720</b>	<b>-19920</b>	<b>52247</b>	<b>-28343</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>10310</b>	<b>-1946</b>	<b>15119</b>	<b>-2769</b>
<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>					
		8153	6586	11601	9371
<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>					
		18463	4640	26270	6602

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

STATEMENT OF CHANGES IN EQUITY  
 30 September 2007  
 (LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2005 LVL	918144	-94	0	278488	1196538
Current year profit				16265	16265
Revaluation reserve		9236			9236
dividend paid				-9182	-9182
As of 31.December 2006 LVL	918144	9142	0	285571	1212857
dividend paid					
Current year profit				11052	11052
Revaluation reserve					
As of 30september 2006LVL	918144	9142		296623	1223909

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

STATEMENT OF CHANGES IN EQUITY

30 September 2007

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2005	1306401	-134		396253	1702520
Current year profit				23143	23143
Revaluation reserve		13143			13143
dividend paid				-13066	-13066
As of 31.December 2006	1306401	13009		406330	1725740
dividend paid					
Current year profit				15726	15726
Revaluation reserve					
As of 30.September 2006	1306401	13009		422056	1741466

## **Accounting policy.**

Report for the first nine months 2007 is made accordingly Latvian book - keeping principles.

Profit or loss statement is made accordingly turnover costs model.

Cash flow overview is made stating main operation cash flow using the indirect method.

Comparing to the previous year accounting and evaluation methods have not been changed.

Fixed assets are evaluated on their purchasing price, excluding depreciation.

Depreciation are calculated linear, accordingly confirmed parameters.

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).

Debtors debts in balance are stated in net value, deducting special accumulations for doubtful debt ( at 30 September 2007 – 3298.76 LVL) .

All amounts of debtors debts in balance are expected to be received during one year.

All deals in foreign currency are booked accordingly the currency rate of the Bank of Latvia at the date of the 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.

Information for the ‘Balance sheet’.

**1. The distribution of trade debtors by countries**

<i>Valstis</i>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Latvia	111137	96858	1581134	137817
Lituania	15697	14138	22335	20117
Estonia	2562	3511	3645	4996
Russia	10599	2400	15081	3415
Germany		4848		6898
Ukraina	25076	29172	35680	41508
Total	165071	150927	234875	214750

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 equites )of share capital belongs to A/S “KURZEMES ATSLEGA 1”, reg.40003253124.

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

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

**3.Other borrowings ( long term creditors)**

<b>Creditors</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Nordic Environment Finance Corporacion	19168	30668	27274	43637
NORD LB/Lizings	11754	15535	16724	22104
Total	30922	46203	43998	65741
A/S ‘‘Kurzemes atslega’’	31364	40375	44627	57448

**4. Other borrowings ( Short-term creditors)**

Creditors	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Nordic Environment Finance Corporacion	3833	7400	5754	10529
NORD LB/Lizings	946	713	1346	1015
Total	4779	8113	6800	11544

**5. Borrowings from credit institutions.**

<b>Creditors</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
A/S NORD /LB Latvija	58200	10300	82811	14656

**6. Trade creditors**

Busines partner	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Enterprises of latvia	85068	75390	121041	107270
Enterprises of Lithuania	9828	8698	13984	12376
TOTAL	94896	84088	135025	119646

**7. Taxes and Obligatory payments of the state social insurance**

Kind of taxes	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Income tax of inhabitants	5518	6871	7851	9777
Obligatory payments of the state social insurance	14530	10890	20675	15495
Other tax	1419	706	2019	1004
Total	21467	18467	30545	26276

**8. The rest of creditors.**

Kind of creditors	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Wages for September	19297	14525	27457	20667
Dividend		6564		9340
Other creditors	758	0	1078	
Total	20055	21089	28356	30007



Information for the "Profit and loss account".

**1. Net sales**

<b>Modus operandi</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Incomings from production of locks and ironmongery	1410976	1256064	2007638	1787218
Incomings from sales of goods in shop	26614	25667	37868	36521
Incomings from rendering of services	3477	3042	4947	4328
Incomings from rendering of public facilities	12197	11030	17355	16648
<b>Total:</b>	<b>1453264</b>	<b>1296473</b>	<b>2067808</b>	<b>1844715</b>

**2. Production costs of sales.**

<b>The main elements of expenses</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Material costs	805300	738131	1145839	1050266
Wages	284690	268377	405077	381866
Obligatory payments of the state social insurance	67985	62970	96734	89598
Electrical energy	37916	42345	53950	60252
Costs of depreciation of fixed	35827	57225	50977	81424
The rest of expenses	78947	71737	112331	102073
<b>Expenses in total</b>	<b>1310665</b>	<b>1240785</b>	<b>1864908</b>	<b>1765478</b>
Correction of expenses				
Changes of remains of unfinished production	9584	-20076	13636	-28566
Changes of remains of self-made punches, molds and materials	-25800	-16624	-36710	-23654
Changes of remains of complete product	12508	-11919	17797	-17045
Changes of remains self-made fixed assets	-21595	-20112	-30728	-28617
<b>Total</b>	<b>1285632</b>	<b>1171994</b>	<b>1828905</b>	<b>1667597</b>

## 3. Distribution expenses

<b>The main elements of expenses</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Wages	13906	8728	19786	12419
Social expenses	3214	2103	4573	2992
The rest of expenses	2296	1355	3267	1928
<b>Total</b>	<b>19416</b>	<b>12186</b>	<b>27626</b>	<b>17339</b>

## 4. Administration expenses.

<b>The main elements of expenses</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Wages	86077	76253	122477	108498
Social expenses	20294	18200	28876	25896
The rest of expenses	18938	16629	26946	23661
<b>Total</b>	<b>125309</b>	<b>111082</b>	<b>178299</b>	<b>158055</b>

## 5. The rest of incomes for economic activity

<b>Sort of revenue</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
Sales of current assets	13571	21089	19310	30007
The rest of incomes	6324	8643	8998	12298
<b>Total</b>	<b>20075</b>	<b>29732</b>	<b>28564</b>	<b>42305</b>

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

<b>Heads of expenditure</b>	30.09.07 LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
First cost of sold current assets	13201	13049	18783	18567
Expenses for social sphere	4434	3001	6309	4270
Expenses, unrelated with economic activity, donations	5011	3849	7130	5477
<b>Total</b>	<b>22646</b>	<b>19899</b>	<b>32222</b>	<b>28314</b>

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols

