

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**Non-audited
FINANCIAL REPORT
30 June 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– June 30, 2007
Members of Supervisory Council (until May 15 .,2007)	Valdis Bikis – "KURZEMES ATSLEGA 1", JSC, Technical Director – Chairman of Supervisory Council Peteris Hanka – Member of Supervisory Council, Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member 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 May 15.,2007)	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 Voldemars Magone - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council,
Members of Board (Until 15.May 2007)	Janis Plume – Member of Board, "Kurzemes Atslega 1", JSC, Production Manager Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant.
Members of Board (From 15.May 2007)	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 (Until 15 May 2007)	Aivars Puisitis
(From 15.MaiU 2007)	Valdis Bikis
Auditor	Certified Auditor Aivars Rutkis , Certificate Nr. 18

2. Report of Direction

The modus operandi of joint stock company "KURZEMES ATSLEGA 1" in first half-year 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 half-year 2007 in comparison with the first half-year 2006 has increased on 10.4% and it makes thousands 940.2 LVL. According to the budget made by board, the net turnover for 2007 is planned in volume of 1976 thousands LVL. The execution of the budget on June 30, 2007 is 47.6%.

The volume of incomes of the first 6 months 2007 was affected with fortnight collective holiday, which has been connected with necessary repair works that are possibly to lead only during summertime. Realization of production during collective holiday had not been stopped, however the saved up volumes of products did not cover the demand fully.

The first half-year 2007, also as well as The first half-year 2006, is characterized by a significant increase of charges, therefore volume of profit is small. The retained earnings for June 30, 2007 was LVL 10021.00.

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 June 30, 2007 was 191, the average earnings for the first half-year 2007 was 244.34 LVL. The average number or personnel in first half-year 2006 was 199, the average earnings – 197.47 LVL. The average earnings in comparison with corresponding period of previous year had increased on 13.6%.

Considering that by experience of former years, parameters of realization of the first half-year usually are higher, these parameters for 2007 could be up to standard of the last year. To provide it, since Julyr 1, 2007 the sale prices of products will be risen.

On February ,27th the JSC 'KURZEMES ATSLEGA1' has received financing at a reate 18266 LVL 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". The equipment is set up and since January 26, 2006 is put into operation. The implementation of this project will enable to improve quality of products and to reduce production costs.

August 27, 2007

Aizpute

Statement of responsibility of direction.

Non-audited report of the first 6 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 first quarter 2007 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**

Address : **Kalvenes -27, Aizpute, LV 3456**

UNIT :LVL, EUR

BALANCE SHEET

On 30 June 2007.

ASSETS 1	Row code	30.06.07. LVL	30.06.06 LVL	30.06.07. EUR	30.06.06 EUR
1.LONG TERM INVESTMENT					
1.Concessions, patents, licences	60	1856	1745	2641	2483
Total	61	1856	1745	2641	2483
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	70	395717	400261	563055	569520
2.Equipment and machinery	90	180570	152427	256928	216884
3.Other fixed assets	100	63947	73718	90988	104891
4.Fixed assets development costs	110	62963	53854	89588	76627
5.Prepayment for fixed assets	120				
II Total fixed assets	130	703197	680608	1000559	968417
III. Long term financial investment					
1.Other investment and securities	180				
2.Other loans	190				
III Total Long term financial investment	220				
1.Total LONG TERM INVESTMENT	230	705053	682353	1003200	970900
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	292889	294133	416743	418514
2.Work in progress	250	195222	156365	277776	222487
3.Finished goods and goods for sale	260	135047	168644	192155	239959
5.Advance payment for goods	280	32352	523	46033	744
I. Total inventories	300	655510	619665	932707	881704
II. Debtors					
1.Trade debtors	310	148994	163920	211999	233237
4.Other debtors	340	1468	2543	2089	3618
7.Deferred expenses	370	9768	1488	13899	2117
II. Total debtors	380	160230	167951	227987	238972
III. Securities and capital participation					
IV . Cash	430	5791	2638	8240	3754
2.Total current assets	440	821531	790254	1168934	1124430
Total assets	450	1526584	1472607	2172134	2095330

LIABILITIES 1	Row code	30.06.07. LVL	30.06.06 LVL	30.06.07. EUR	30.06.06 EUR
1.CAPITAL					
1.Share capital	460	918144	918144	1306401	1306401
3.Revaluation reserve	480	9142	-94	13008	-134
4.Reserves					
a)legal reserves	490				
4.Total reserves	530				
5.Retained profit					
a) previous years retained profit	540	285571	326891	406331	465124
current year profit	550	10021	4549	14259	6473
1Total Capital and reserves	560	1222878	1249490	1739999	1777864
2.PROVISIONS					
3.CREDITORS					
1.Long term creditors					
Other loans	640	30922	46203	43998	65741
.Amounts payable to associated companies	650	31714	40375	45125	57448
Deferred tax	660	45004		64035	
Deferred income	670	16439		23391	
1.Total long term creditors	750	124079	86578	176549	123189
2.Short-term creditors					
3. Other loans	780	9558	13247	13600	18849
4..Bank loan	790	49000	23596	69721	33574
5.Advances received from customers	800	5113	2155	7275	3066
6.Trade creditors	810	64371	52364	91592	74507
8.Amounts payable to associated companies	830		425		605
10.Taxes and social security payments	850	29596	23763	42111	33812
11.Other creditors	860	21076	20989	29988	29864
Deferred income	870	913		1299	
2. Total short-term creditors	900	179627	136539	255586	194277
Total creditors	910	303706	223117	432135	217466
Total liabilities	920	1526584	1472607	2172134	2095330

30.06.2006,30.06.2007 1EUR=0.702804 LVL

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

Profit or loss account

30 June 2007

N.	Item	line No	30.06.07.	30.06.06.	30.06.07.	30.06.06
			LVL	LVL	EUR	EUR
1	Net sales	10	940206	851341	1337793	1211349
2	Cost of sales	20	832091	762310	1183959	1084669
3	Gross profit	30	108115	89031	153834	126680
4	Distribution expenses	40	8653	8733	12312	12426
5	Administration expenses	50	82016	73428	116698	104479
6	Other operating income	60	19188	21497	27302	30587
7	Other operating expenses	70	21057	18626	29961	26502
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100		10		14
11	Long term investments and					
	short-terms bond write-off	110				
12	Interest paid and similar expense	120	1900	1646	2704	2342
13	Operating profit	130	13677	8105	19461	11532
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	13677	8105	19461	11532
16	Corporate income tax	170	203	1184	289	1685
17	Other taxes	180	3453	2372	4913	3374
18	Defrred tax	181				
18	19Net profit for the year	190	10021	4549	14259	6473

Earnings per stock 30.06.2006. 0.005 LVL , 0.007 EUR

Earnings per stock 30.06.2007. 0.011 LVL , 0.015 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 30 June 2007

(Cash flow statement, prepared using indirect method)

Indices	Appen ndici es	31.03.07	31.03.06	31.03.07	31.03.06
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		13677	8105	19461	11532
Corrections:		25463	40871	36487	58154
a) Wear and tear of fixed assets;		23743	39235	33783	55826
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			-10		-14
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		1900	1646	2703	2342
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		39230	48976	55947	69687
Adjustments:		-43590	-70666	-62023	-100549
a) Increase or decrease of residues of debts of debtors;		7214	-22178	10265	-31556
b) Increase or decrease of residues of resources;		-27732	-44676	-39459	-63568
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-23072	-3812	-32828	-5424
3. The gross cash flow of basic activity.		-4270	-21690	-6076	-30862
4. Expenses for interest payments.		-1900	-1646	-2703	-2342
5. Expenses for payments of enterprise income tax		-203	-1184	-289	-1385
6. Expenses for fixed asset tax payments		-3453	-2372	-4913	-3375
7. Cash flow before extraordinary items.		-9826	-26892	-13981	-38264
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		-9826	-26892	-13981	-38264

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		-24875	-40201	-33594	-57201
4. Proceeds from sales of fixed assets and nonmaterial investments.			62008		88229
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests			10		14
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-24875	21817	-35394	31043
III. Financing activities					

1.	2.				
1. Proceeds from issue of shares and bond or participation shares of capital investments.		23600	6558	33580	9331
2. Loans received					
3. Financial aids, pump-priming, presents or donations received		18266			
4. Expenses for repayment of loans		-9527	-5431	-13556	-7728
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		32339	1127	46014	1603
			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		-2362	-3948	-3361	-5618
VI. The reminder of currency and its equivalents at the beginning of year of account.		8153	6586	11601	9371
VII. The reminder of currency and its equivalents at the end of year of account.		5791	2638	8240	3753

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

STATEMENT OF CHANGES IN EQUITY

30 June 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					
Revaluation reserve				10021	10021
As of 31March 2006LVL	918144	9142		295592	1222878

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY

30 June 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					
Revaluation reserve				14259	14259
As of 31March 2006	1306401	13009		420589	1739999

Accounting policy.

Report for the first 6 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 June 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>	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Latvia	94757	88017	134827	125237
Lituania	17975	28809	25576	409991
Estonia	4799	7079	6828	10073
Russia	3632	2456	5168	3495
Germany		10455		14876
Ukraina	27831	27104	39600	38565
Total	148994	163920	211999	233237

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% of share capital belongs to Bargain Trade Oy ,Finland Council

3.Other borrowings (long term creditors)

Creditors	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Nordic Environment Finance Corporacion	19168	30668	27274	43636
NORD LB/Lizings	11754	15335	16724	22105
Total	30922	46203	43998	65741
A/S ‘Kurzemes atslega’	31714	40375	45125	57448

4. Other borrowings (Short-term creditors)

Creditors	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Nordic Environment Finance Corporacion	7667	11501	10909	16364
NORD LB/Lizings	1891	1746	2691	2485
Total	9558	13247	13600	18849

5. Borrowings from credit institutions.

Creditors	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
A/S NORD /LB Latvija	49000	23956	69721	33574

6. Trade creditors

Busines partner	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Enterprises of latvia	46871	45870	66691	65267
Enterprises of Lithuania	17500	6494	24901	9240
TOTAL	64371	52364	91592	74507

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Income tax of inhabitants	7004	6876	9966	9784
Obligatory payments of the state social insurance	14263	11528	20294	16403
Other tax	8329	5359	11851	7625
Total	29596	23763	42111	33812

8. The rest of creditors.

Kind of creditors	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Wages for June	20096	11138	28594	15848
Dividend		9181		13063
Other creditors	980	680	1394	954
Total	21076	20989	29988	29865

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Incomings from production of locks and ironmongery	914164	823097	1300738	1171162
Incomings from sales of goods in shop	15261	15385	21714	21890
Incomings from rendering of services	931	2211	1325	3146
Incomings from rendering of public facilities	9850	10648	14016	15151
Total:	940206	851341	1337793	1211349

2. Production costs of sales.

The main elements of expenses	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Material costs	512838	495648	729702	705244
Wages	192353	177130	273693	252033
Obligatory payments of the state social insurance	42925	41819	61077	59503
Electrical energy	32299	31858	45958	45330
Costs of depreciation of fixed	23743	39235	33784	55826
The rest of expenses	53928	51256	76733	72931
Expenses in total	858086	836946	1220947	1190867
Correction of expenses				
Changes of remains of unfinished production	-5443	-5989	-7745	-8522
Changes of remains of self-made punches, molds and materials		-9414		-13395
Changes of remains of complete product	-13557	-50261	-19290	-71515
Changes of remains self-made fixed assets	-6995	-8972	-9953	-12766
Total	832091	762310	1183959	1084669

3. Distribution expenses

The main elements of expenses	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Wages	5438	5207	7737	7409
Social expenses	1310	1254	1864	1784
The rest of expenses	1905	2272	2711	3233
Total	8653	8733	12312	12426

4. Administration expenses.

The main elements of expenses	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Wages	62236	54516	88554	77570
Social expenses	14993	13090	21334	18625
The rest of expenses	4787	5822	6810	8284
Total	82016	73428	116698	104479

5. The rest of incomes for economic activity

Sort of revenue	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Sales of current assets	10891	13383	15497	19042
Incomes from exchange rate fluctuations	8297	8114	11805	11545
The rest of incomes	19188	21497	27302	30587
Total	10891	13383	15497	19042

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.07 LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
First cost of sold current assets	10620	13049	15111	18567
Expenses for social sphere	1887	1581	2685	2250
Expenses, unrelated with economic activity, donations	8550	3996	12165	5685
Total	21057	18626	29961	26502

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols

