JOINT STOCK COMPANY

‘’KURZEMES ATSLEGA 1’’
LV40003044007

Non-audited
FINANCIAL REPORT
31 March 2006

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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	**Valdis Bikis** – "KURZEMES ATSLEGA 1", JSC, Technical Director – Chairman of Supervisory Council **Raitis Brikmanis** – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Engineer - Electrician. **Juris Grasmanis** – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Engineer - Mechanic. **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 Board	**Janis Plume** – Member of Board, "Kurzemes Atslega 1", JSC, Production Manager **Inara Burve** – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant.
Chairman of Board	**Aivars Puisitis**
Auditor	Certified Auditor **Aivars Rutkis**, Certificate Nr. 18

2.Report of direction

The net turnover in first quarter 2006 in comparison with the first quarter 2006 has increased on 24% and it makes 439.7 thousands LVL. According to the budget which it was made by board, the net turnover for 2006 is planned in volume of 1800.00 thousands LVL. The execution on March 31, 2006 makes 24, 4% of turnover, planned for the year.

The first quarter 2006 is featured by remarkable increase of material costs, consequently the volume of profit is small. The retained profit on March 31, 2006 is LVL 3649.00. By the side of first quarter 2005, that was accomplished with losses LVL 3005.00, the indices of profit has been improved.
The largest increase of costs is concerned with the rise in price of Aluminium since January, 1st, 2006. The prices of Zinc have doubled, the prices of Aluminium have increased for 60%. The increase of costs has caused also the increase of the prices of the fuel and other material resources and also the necessity to raise earnings of employees to involve the manpower. The number of employees on March 31, 2006 was 206, the average earnings in first quarter 2006 was LVL 192.85.

The budget, prepared by direction, in part of expenditure is accomplished for 24.1% from annual amount.

Considering above stated circumstances, in 2006 there is not supposed the significant gain of volume of profit because the opportunities of increase of the prices are limited by a competition and purchasing capacity.
The direction rates, that for maintenance of profitable operation henceforth also it is necessary to supervise a level of expenses. There has been worked on solution, to reduce the consumption of Zinc in production.
In first quarter 2006 had been sold one object of unfinished construction - apartment house. The construction of this house was started before the privatization of enterprise. As a result of the transaction have been received 49.7 9 thousand LVL which will be used for purchase of the technological equipment. The transaction is concluded for the sum what exceeds a balance project cost.

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 2006.

ASSETS 1	Row code	31.03.06. LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
1.LONG TERM INVESTMENT					
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	70	401386	404962	571121	576210
2.Equipment and machinery	90	154507	142252	219844	202406
3.Other fixed assets	100	71509	30302	101748	43116
4.Fixed assets development costs	110	58763	157835	83612	224579
5.Prepayment for fixed assets	120	348		495	
II Total fixed assets	130	**686513**	**735351**	**976820**	**1046311**
III. Long term financial investment					
1.Other investment and securities	180	691	691	983	983
2.Other loans	190				
III Total Long term financial investment	220	**691**	**691**	**983**	**983**
1.Total LONG TERM INVESTMENT	230	**687204**	**736042**	**977803**	**1047294**
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	290079	273301	412745	388873
2.Work in progress	250	148425	167572	211190	238433
3.Finished goods and goods for sale	260	151613	129992	215726	184962
5.Advance payment for goods	280	16357		23274	
I. Total inventories	300	**606474**	**570865**	**862935**	**812268**
II. Debtors					
1.Trade debtors	310	139195	110793	198057	157644
4.Other debtors	340	7055	2895	10038	4119
7.Deferred expenses	370	1713	922	2437	1312
II. Total debtors	380	**147963**	**114610**	**210532**	**163075**
III. Securities and capital participation					
IV . Cash	430	17549	5293	24970	7531
2.Total current assets	440	**771986**	**690768**	**1098437**	**982874**
Total assets	450	**1459190**	**1426810**	**2076240**	**2030168**

LIABILITIES 1	Row code	31.03.06. LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
1.CAPITAL					
1.Share capital	460	918144	918144	1306401	1306401
3.Revaluation reserve	480	-94	-94	-134	-134
4.Reserves					
a)legal reserves	490				
4.Total reserves	530				
5.Retained profit					
a) previous years retained profit	540	336073	317020	478189	451079
current year profit	550	3649	-3005	5192	-4276
1Total Capital and reserves	560	**1257772**	**1232065**	**1789648**	**1753070**
2.PROVISIONS					
3.CREDITORS					
1.Long term creditors					
Other loans	640	46203	3574	65741	5085
.Amounts payable to associated companies	650	40375		57448	
1.Total long term creditors	750	**86578**	**3574**	**123189**	**5085**
2.Short-term creditors					
3. Other loans	780	14219	10724	20232	15259
4..Bank loan	790	131	24297	186	34572
5.Advances received from customers	800	755	1056	1074	1504
6.Trade creditors	810	51005	43664	72575	62128
8.Amounts payable to associated companies	830		62480		88901
10.Taxes and social security payments	850	25647	26385	36492	37542
11.Other creditors	860	23083	22565	32844	32107
2. Total short-term creditors	900	**114840**	**191171**	**163403**	**272013**
Total creditors	910	**201418**	**194745**	**286592**	**277098**
Total liabilities	920	**1459190**	**1426810**	**2076240**	**2030168**

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

Profit or loss account

31 March 2006

N.	Item	line No	31.03.06.	31.03.05	31.03.06.	31.03.05
			LVL	LVL	EUR	EUR
1	Net sales	10	439371	353602	625169	503130
2	Cost of sales	20	-394382	-327039	-561155	-465335
3	Gross profit	30	44989	26563	64014	37796
4	Distribution expenses	40	-4191	-3897	-5963	-5545
5	Administration expenses	50	-36068	-30603	-51320	-43544
6	Other operating income	60	13039	18579	18552	26436
7	Other operating expenses	70	-10788	-11519	-15350	-16390
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100	5	4	7	6
11	Long term investments and					
	short-terms bond write-off	110				
12	Interest paid and similar expense	120	-1194	-434	-1699	-618
13	Operating profit	130	5792	-1307	8241	-1860
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	5792	-1307	8241	-1860
16	Corporate income tax	170	-888	-803	-1264	-1143
17	Other taxes	180	-1255	-895	-1785	-1273
18	Net profit for the year	190	3649	-3005	5192	-4276

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 2006

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		5792	-1307	8241	-1860
Corrections:		23515	17459	33459	24842
a) Wear and tear of fixed assets;		22326	17029	31767	24230
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		-5	-4	-7	-6
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		1194	434	1699	618
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		29307	16152	41700	22982
Adjustments:		-36693	-4754	-52209	-6764
a) Increase or decrease of residues of debts of debtors;		-2191	-17783	-3118	-25303
b) Increase or decrease of residues of resources;		-31485	20550	-44798	29240
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-3017	-7521	-4293	-10701
3. The gross cash flow of basic activity.		-7386	11398	-10509	16218
4. Expenses for interest payments.		-1194	-434	-1699	-618
5. Expenses for payments of enterprise income tax		-888	-803	-1264	-1143
6. Expenses for fixed asset tax payments		-1255	-895	-1785	-1273
7. Cash flow before extraordinary items.		-10723	9266	-15257	13184
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		**-10723**	**9266**	**-15257**	**13184**

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		-2016	-26961	-2869	-38362
4. Proceeds from sales of fixed assets and nonmaterial investments.		45063		64119	
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests		5	4	7	14
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		**43052**	**-26957**	**61257**	**-38356**
III. Financing activities					

1.	2.	3.	**4**	5	**8**
			0		**0**
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		3092	**21566**	4400	**30686**
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-24458	**-3574**	-34801	**-5085**
5. Expenses for redemption of hired fixed assets					
6. Dividends paid	-				
7. Changes of reserves					
7. Net cash flow of financing activity		**-21366**	**17992**	**-30401**	**25600**
			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		**10963**	**301**	**15589**	**428**
VI. The reminder of currency and its equivalents at the beginning of year of account.		6586	**4992**	9371	**7103**
VII. The reminder of currency and its equivalents at the end of year of account.		17549	**5293**	24970	**7531**

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

STATEMENT OF CHANGES IN EQUITY
31 March 2006

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
AS of 31 December 2004 LVL	**918144**	**-94**		**317020**	**1235070**
Transfer to reserves					**0**
dividend paid				**-4591**	**-4591**
Current year profit				**23644**	**23644**
As of 31 December 2005 LVL	**918144**	**-94**	**0**	**336073**	**1254123**
As of 31 December 2005 EUR	**1306401**	**-134**	0	**478188**	**1784455**
Transfer to reserves					
dividend paid					
Current year profit				**3649**	**3649**
As of 31.March 2006 LVL	**918144**	**-94**	**0**	**339722**	**1257772**
As of 31.March 2006 EUR	**1306401**	**-134**	**0**	**483381**	**1789648**

Accounting policy.

Report for the 3 months of 2006 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 31 March 2006 – 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 rest of securities.

On the December 31 ,2005 to ‘’KURZEMES ATSLEGA 1’’JSC belonged 601 equities of ‘’A/S NORD /LB Latvija’’ at face value 0.01 LVL. The purchase price of these equities was 691.15 LVL

2. The distribution of trade debtors by countries

Countries	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Latvia	80094	53146	113964	75620
Lithuania	49395	24238	70283	34488
Estonia	7350	3601	10458	5124
Russia	2356	6888	3352	9801
Germany				
Ukraine		22920		32611
Total	139195	110793	198057	157644

3. .Other debtors.

Kind of debtor	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Overpayment of income-tax of enterprise	3803	2088	5410	2971
Calculated bit unpaid pretax	1035	705	1473	1003
Other debtors	2217	102	3155	145
Overpayment of value added tax				
Total	7055	2895	10038	4119

4.Joint –stock or share capital.

The share capital consists of 918144 equities with nominal value 1.00 LVL. 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

5. Other borrowings (long term creditors)

Creditors	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Nordic Environment Finance Corporacion	30668	3574	43637	5085
NORD LB/Lizings	15535		22104	
A/S ‘’Kurzemes Atslega’’	40375		57448	
Total	86578	3574	123189	5085

6. Other borrowings (Short-term creditors)

Creditors	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Nordic Environment Finance Corporacion	11500	10724	16363	15259
NORD LB/Lizings	2719		3869	
A/S ‘’Kurzemes Atslega’’				
Total	14219	10724	20232	15259

7. Borrowings from credit institutions.

Creditors	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
A/S NORD /LB Latvija	131	24927	186	34572

8.Trade creditors

Business partner	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Enterprises of Latvia	33046	38963	47020	55439
Enterprises of Lithuania	17959	3296	25555	4690
Enterprises of Italy		1405		1999
TOTAL	51005	43664	72575	62128

9.Liabilities to associated Enterprises

Business partner	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
A/S ‘’Kurzemes Atslega’’	0	62480	0	88901

10. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Income tax of inhabitants	12101	12144	17218	17279
Obligatory payments of the state social insurance	11836	11746	16841	16713
Other tax	1710	2495	2433	3550
Total	25647	26385	36492	37542

11. The rest of creditors.

Kind of creditors	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Wages for December	20760	19414	29539	27624
Dividend				
Other creditors	2323	3151	3305	4483
Total	23083	22565	32844	32107

Information for the ''Profit and loss account''.

1. Net sales

Modus operandi	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Incomings from production of locks and ironmongery	425096	341614	604858	486072
Incomings from sales of goods in shop	5948	3951	8463	5622
Incomings from rendering of services	1057	932	1504	1326
Incomings from rendering of public facilities	7270	7105	10344	10110
Total:	439371	353602	625169	503130

2. Production costs of sales.

The main elements of expenses	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Material costs	262828	202305	373970	287854
Wages	86646	80324	123286	114291
Obligatory payments of the state social insurance	20521	19623	29199	27921
Electrical energy	16919	10181	24074	14486
Costs of depreciation of fixed	22326	17041	31767	24247
The rest of expenses	24120	19006	34230	27043
Expenses in total	**433360**	**348480**	**616616**	**495842**
Correction of expenses				
Changes of remains of unfinished production	1951	-22731	2776	-32343
Changes of remains of self-made punches, molds and materials	-5663		-8058	
Changes of remains of complete product	-35266	20458	-50179	29110
Changes of remains self-made fixed assets		-19168		-27274
Total	**394382**	**327039**	**561155**	**463335**

3. Distribution expenses

The main elements of expenses	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Wages	2741	2357	3900	3354
Social expenses	661	531	940	755
The rest of expenses	789	1009	1123	1436
Total	4191	3897	5963	5545

4. Administration expenses.

The main elements of expenses	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Wages	26546	23640	37772	33636
Social expenses	6313	5401	8983	7685
The rest of expenses	3209	1562	4565	2223
Total	36068	30603	51320	43544

5. The rest of incomes for economic activity

Sort of revenue	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
Sales of current assets	8025	13302	11419	18927
Incomes from exchange rate fluctuations		1568		2231
The rest of incomes	5014	3709	7133	5278
Total	13039	18579	18552	26436

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.06 LVL	31.03.05 LVL	31.03.06 EUR	31.03.05 EUR
First cost of sold current assets	7898	7671	11238	10915
Expenses for social sphere	776	780	1104	1110
Expenses, unrelated with economic activity, donations	2114	3068	3008	4365
Heads of expenditure	10788	11519	15350	16390

Chairman of Board: Aivars Puisitis

Members of Board : Janis Plume

Inara Burve