

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**Non-audited
FINANCIAL REPORT
31 March 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, 2005– December 31, 2005
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 net turnover in first quarter 2007 in comparison with the first quarter 2006 has increased on 13.7% and it makes 499.4 thousands LVL. According to the budget which it was made by board, the net turnover for 2007 is planned in volume of 2006.00 thousands LVL. The execution on March 31, 2007 makes 24, 9% of turnover, planned for the year.

The first quarter 2007 is featured by remarkable increase of material costs, consequently the volume of profit is small. The retained profit on March 31, 2007 is LVL 3281. The largest increase of costs is concerned with the rise in price of Aluminium since January, 1st, 2006. 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, 2007 was 192, the average earnings in first quarter 2007 was LVL 212.- LVL

The budget, prepared by direction, in part of expenditure is accomplished for 25.6 % from annual amount.

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.

May 31 2007

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 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 31 March 2007.

ASSETS 1	Row code	31.03.07. LVL	31.03.06 LVL	31.03.07 EUR	31.03.09 EUR
1.LONG TERM INVESTMENT					
1.Concessions, patents, licences	60	2088		2971	
Total	61	2088		2971	
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	70	398176	401386	566553	571121
2.Equipment and machinery	90	177400	154507	252417	219844
3.Other fixed assets	100	67691	71509	96316	101748
4.Fixed assets development costs	110	51982	58763	73964	83612
5.Prepayment for fixed assets	120	0	348	0	495
II Total fixed assets	130	695249	686513	989250	976820
III. Long term financial investment					
1.Other investment and securities	180	0	691	0	983
2.Other loans	190				
III Total Long term financial investment	220	0	691	0	983
1.Total LONG TERM INVESTMENT	230	697337	687204	992221	977803
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	306993	290079	436812	412745
2.Work in progress	250	187779	148425	267185	211190
3.Finished goods and goods for sale	260	121281	151613	172567	215726
5.Advance payment for goods	280	17470	16357	24858	23274
I. Total inventories	300	633523	606474	901422	862935
II. Debtors					
1.Trade debtors	310	213057	139195	303152	198057
4.Other debtors	340	1307	7055	1860	10038
7.Deferred expenses	370	194	1713	276	2437
II. Total debtors	380	214558	147963	305288	210532
III. Securities and capital participation					
IV . Cash	430	8555	17549	12173	24970
2.Total current assets	440	856636	771986	1218883	1098437
Total assets	450	1553973	1459190	2211104	2076240

LIABILITIES 1	Row code	31.03.07. LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 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	336073	406331	478189
current year profit	550	3281	3649	4668	5192
1Total Capital and reserves	560	1216138	1257772	1730408	1789648
2.PROVISIONS					
3.CREDITORS					
1.Long term creditors					
Other loans	640	30922	46203	43998	65741
.Amounts payable to associated companies	650	33417	40375	47548	57448
Deferred tax	660	45004		64035	
Deferred income	670	16439		23391	
1.Total long term creditors	750	125782	86578	178972	123189
2.Short-term creditors					
3. Other loans	780	14336	14219	20398	20232
4..Bank loan	790	36700	131	52219	186
5.Advances received from customers	800	4102	755	5837	1074
6.Trade creditors	810	88502	51005	125927	72575
8.Amounts payable to associated companies	830	11145		15858	
10.Taxes and social security payments	850	32771	25647	46629	36492
11.Other creditors	860	22671	23083	32258	32844
Deferred income	870	1826		2598	
2. Total short-term creditors	900	212053	114840	301724	163403
Total creditors	910	337835	201418	480696	286592
Total liabilities	920	1553973	1459190	2211104	2076240

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

Profit or loss account
 31 March 2007

N.	Item	line No	31.03.07.	31.03.06	31.03.07.	31.03.06
			LVL	LVL	EUR	EUR
1	Net sales	10	499373	439371	710544	625169
2	Cost of sales	20	-450072	-394382	-640395	-561155
3	Gross profit	30	49301	44989	70149	64014
4	Distribution expenses	40	-4351	-4191	-6191	-5963
5	Administration expenses	50	-39023	-36068	-55525	-51320
6	Other operating income	60	5623	13039	8001	18552
7	Other operating expenses	70	-7028	-10788	-10000	-15350
8	Income from participation in subsidiary capital	80				
10	Income from other interest and similar incomes	100		5		7
11	Long term investments and					
	short-terms bond write-off	110				
12	Interest paid and similar expense	120	-1090	-1194	-1551	-1699
13	Operating profit	130	3432	5792	4883	8241
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	3432	5792	4883	8241
16	Corporate income tax	170	-152	-888	-216	-1264
17	Other taxes	180	0	-1255	0	-1785
18	Deferred tax	181	0		0	
18	19Net profit for the year	190	3281	3649	4667	5192

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 2007

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	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.		3532	5792	4833	8241
Corrections:		12870	23515	18312	33459
a) Wear and tear of fixed assets;		11780	22326	16761	31767
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		7
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		1090	1194	1551	1699
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		16302	29307	23195	41700
Adjustments:		-28148	-36693	-40050	-52209
a) Increase or decrease of residues of debts of debtors;		-47114	-2191	-67037	-3118
b) Increase or decrease of residues of resources;		-5745	-31485	-8174	-44798
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		24711	-3017	35161	-4293
3. The gross cash flow of basic activity.		-11846	-7386	-16855	-10509
4. Expenses for interest payments.		-1090	-1194	-1551	-1699
5. Expenses for payments of enterprise income tax		-152	-803	-216	-1264
6. Expenses for fixed asset tax payments			-1255		-1785
7. Cash flow before extraordinary items.		-13088	-10723	-18622	-15257
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		-13088	-10723	-18622	-15257

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		-2195	-2016	-3123	-2869
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		7
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-2195	43052	-3123	61257
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received			3092		4400
3. Financial aids, pump-priming, presents or donations received		18266		25990	
4. Expenses for repayment of loans		-2581	-24458	-3682	-34801
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		15685	-21366	22318	-30401
			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		402	10963	573	15589
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.		8555	17459	12173	24970

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY

31 March 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				3281	3281
Revaluation reserve					
As of 31March 2006LVL	918144	9142		288852	1216138

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

STATEMENT OF CHANGES IN EQUITY

31 March 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				4668	4668
Revaluation reserve					
As of 31March 2006	1306401	13009		410998	1730408

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 distribution of trade debtors by countries

Valstis	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Latvia	115977	80094	165020	113964
Lituania	68258	49395	97122	70283
Estonia	2761	7350	3929	10458
Russia	4023	2356	5724	3352
Germany				
Ukraine	22038		31357	
Total	213057	139195	303152	198057

2. Other debtors.

Kind of debtor	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Overpayment of income-tax of enterprise	1307	3803	1860	5410
Calculated bit unpaid pretax		1035		1473
Other debtors		2217		3155
Overpayment of value adde tax				
Kopā	1307	7055	1860	10038

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

5. Other borrowings (long term creditors)

Creditors	31.03.07 LVL	31.03.06 LVL	31.03.06 EUR	31.03.07 EUR
Nordic Environment Finance Corporacion	19168	30668	27274	43637
NORD LB/Lizings	11754	15535	16724	22104
A/S ‘Kurzemes atslega’	33417	40375	47548	57448
Deferred tax	45004		64034	
Deferred income	16439		23392	
Total	125782	86578	178972	123189

6. Other borrowings (Short-term creditors)

Creditors	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Nordic Environment Finance Corporacion	11501	11500	16364	11500
NORD LB/Lizings	2835	2719	4034	2719
A/S "Kurzemes atslega"				
Total	14336	14219	20398	14219

7. Borrowings from credit institutions.

Creditors	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
A/S NORD /LB Latvija	36700	131	52219	186

8.Trade creditors

Busines partner	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Enterprises of latvia	70057	33046	99682	47020
Enterprises of Lithuania	13859	17959	19720	25555
Enterprises of Italy	4586		6525	
TOTAL	88502	51005	125927	72575

9.Liabilities to associated Enterprises

Busines partner	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
A/S "Kurzemes atslega"	11145	0	15858	0

10. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Income tax of inhabitants	6384	12101	9084	17218
Obligatory payments of the state social insurance	25813	11836	36729	16841
Other tax	574	1710	816	2433
Total	32771	25647	46629	36492

11. The rest of creditors.

Kind of creditors	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Wages for december	20063	20760	28547	29539
Dividend				
Other creditors	2608	2323	3711	3305
Total	22761	23083	32258	32844

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Incomings from production of locks and ironmongery	486245	425096	691864	604858
Incomings from sales of goods in shop	5827	5948	8291	8463
Incomings from rendering of services	1100	1057	1565	1504
Incomings from rendering of public facilities	6201	7270	8823	10344
Total:	499373	439371	710543	625169

2. Production costs of sales.

The main elements of expenses	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Material costs	284167	262828	404333	373970
Wages	104890	86646	149245	123286
Obligatory payments of the state social insurance	25269	20521	35955	29199
Electrical energy	17310	16919	24630	24074
Costs of depreciation of fixed	11780	22326	16761	31767
The rest of expenses	25128	24120	35754	34230
Expenses in total	468544	433360	666678	616616
Correction of expenses				
Changes of remains of unfinished production	-8205	1951	-11675	2776
Changes of remains of self-made punches, molds and materials		-5663		-8058
Changes of remains of complete product	-10267	-35266	-14608	-50179
Changes of remains self-made fixed assets				
Total	450072	394382	640395	561155

3. Distribution expenses

The main elements of expenses	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Wages	3076	2741	4377	3900
Social expenses	742	661	1056	940
The rest of expenses	533	789	758	1123
Total	4351	4191	6191	5963

4. Administration expenses.

The main elements of expenses	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Wages	28945	26546	41185	37772
Social expenses	6973	6313	9922	8983
The rest of expenses	3105	3209	4418	4565
Total	39023	36068	555525	51320

5. The rest of incomes for economic activity

Sort of revenue	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
Sales of current assets	5623	8025	8001	11419
Incomes from exchange rate fluctuations				
The rest of incomes		5014		7133
Total	5623	13039	8001	18552

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.07 LVL	31.03.06 LVL	31.03.07 EUR	31.03.06 EUR
First cost of sold current assets	4980	7898	7087	7898
Expenses for social sphere	1048	776	1491	776
Expenses, unrelated with economic activity, donations	1000	2114	1422	2114
Heads of expenditure		10788	10000	10788

Chairman of Board:

Valdis Bikis

Members of Board :

Inara Burve

Aldis Ozols

