

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**Non-audited
FINANCIAL REPORT
31 March 2009**

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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, 2009– March 31, 2009
Members of Supervisory Council (until April 29, 2009)	<p>Peteris Fridenbergs – Chairman of Supervisory Council</p> <p>Andris Taurins – Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Deputy Chairman of the Supervisory Council, Technical director, Technologic - Mechanic</p> <p>Ivars Lacis – Member of Supervisory Council "Kurzemes Atslega 1", JSC, Engineer - Surveyor Controller</p> <p>Jānis Valkass - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, manager of the Forged Iron shop</p> <p>Guntars Stekjanis – KURZEMES ATSLEGA 1", JSC, economist, Member of Supervisory Council</p>
Members of Supervisory Council (from April 29, 2009)	<p>Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist,</p> <p>Modris Moisejs– Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Manager of the Electroplating shop, Technologic - Mechanic</p> <p>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, manager of the Forged Iron shop, Technologic - Mechanic</p> <p>Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant, Technologic-mechanic</p>
Members of Board (until April 1, 2009)	<p>Inara Burve – Member of Board, "Kurzemes Atslega 1", JSC, Chief Accountant</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC, production manager, Technologic - Mechanic</p>
Members of Board (from April 01.2009-April 17,2009)	Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC, production manager, Technologic – Mechanic
Members of Board (from April 17, 2009-April 29,2 009) Chairman of Board Auditor	<p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1", JSC, production manager, Technologic – Mechanic</p> <p>Modris Moisejs, Member of Board, KURZEMES ATSLĒGA 1, Manager of the Electroplating shop, Technologic - Mechanic</p>
Members of Board (from April 29,	Aldis Ozols , Member of Board, "Kurzemes Atslega 1",

2009-May 14,2009	JSC, production manager, Technologic – Mechanic
Members of Board (from May 14, 2009	Andris Taurins – Member of Board, “Kurzemes Atslega 1”, JSC, chief engineer, Technologic - Mechanic Aldis Ozols , Member of Board, “Kurzemes Atslega 1”, JSC, production manager, Technologic – Mechanic
Chairman of Board until February 5, 2009	Valdis Bikis
Chairman of Board from February 5, 2009 –May 14, 2009	Eriks Mikstas
Chairman of Board from May 14, 2009	Peteris Fridenbergs

3. Report of Direction

The modus operandi of joint stock company "KURZEMES ATSLEGA 1" in first quarter 2009 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 2008 has decreased for 50,9 %
. The volume of sold products has divided as follows:

- The sales in Latvian market: - 67.%,
- Export – 33 %.

. The volume of sold products in the first quarter has divided as follows:

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

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

It is necessary to work to development of production of new kinds of products.

May 29, 2009

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 2009 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 2009 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Andris Taurins
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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 street 27, Aizpute, LV 3456

UNIT :LVL, EUR

BALANCE SHEET

On 31 March 2009.

ASSETS 1	Row code	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
1.LONG TERM INVESTMENT					
Expenses of development		50000		71144	
1.Concessions, patents, licenses	60	2605	2704	3706	3847
Total	61	52605	2704	74850	3847
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.	70	383072	392596	545062	558613
2.Equipment and machinery	90	192502	197025	273906	280341
3.Other fixed assets	100	49111	56588	69879	80517
4.Fixed assets development costs	110	33356	46772	47461	66550
5.Prepayment for fixed assets	120				
II Total fixed assets	130	658041	692981	936308	986021
1.Total LONG TERM INVESTMENT	230	710646	695685	1011158	989868
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials	240	281988	295567	401233	420554
2.Work in progress	250	185206	205185	263524	291952
3.Finished goods and goods for sale	260	179535	148677	255455	211548
5.Advance payment for goods	280	26929	41172	38317	58591
I. Total inventories	300	673658	690601	958529	982635
II. Debtors					
1.Trade debtors	310	118603	161607	168757	229946
4.Other debtors	340	5468	3785	7780	5386
7.Deferred expenses	370	944	605	1343	861
II. Total debtors	380	125015	165997	177880	236193
III. Securities and capital participation					
IV . Cash	430	12095	18473	17210	26285
2.Total current assets	440	810768	875071	1153619	1245113
Total assets	450	1521414	1570756	2164777	2234981

LIABILITIES 1	Row code	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
1.CAPITAL					
1.Share capital	460	918144	918144	1306401	1306401
3.Revaluation reserve	480	15598	9142	22194	13008
4.Reserves					
a) legal reserves	490				
4.Total reserves	530				
5.Retained profit					
a) previous years retained profit	540	255450	279198	363473	397263
current year profit	550	-24279	-6777	-34546	-9643
1Total Capital and reserves	560	1164913	1199707	1657522	1707029
2.PROVISIONS		16078	27805	22877	3953
3.CREDITORS					
1.Long term creditors					
Other loans	640	3625	11621	5158	16535
.Amounts payable to associated companies	650	0	25536	0	36334
Deferred tax	660	56580	27672	80506	39373
Deferred income	670	7455	11183	10608	15912
1.Total long term creditors	750	67660	76012	96272	108154
2.Short-term creditors					
3. Other loans	780	3108	14476	4422	20597
4..Bank loan	790	58274	54290	82917	77248
5.Advances received from customers	800	12153	9308	17292	13244
6.Trade creditors	810	100025	120334	142323	171220
8.Amounts payable to associated companies	830	25765	2667	36660	3795
10.Taxes and social security payments	850	51517	36992	73302	52365
11.Other creditors	860	18193	25368	25886	36095
Deferred income	870	3728	2796	5304	3978
Deferred liabilities		0	1000	0	1423
2. Total short-term creditors	900	272763	267232	388106	380235
Total creditors	910	340423	343244	484378	488389
Total liabilities	920	1521414	1570756	2164777	2234981

1 EUR 31.03.2008, 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 2009

N.	Item	line No	31.03.09.	31.03.08	31.03.09	31.03.08
			LVL	LVL	EUR	EUR
1	Net sales	10	241768	493362	344005	701991
2	Cost of sales	20	-226420	-450623	-322167	-641179
3	Gross profit	30	15346	42739	21835	60812
4	Distribution expenses	40	-3108	-7635	-4422	-10864
5	Administration expenses	50	-32401	-38865	-46102	-55300
6	Other operating income	60	5055	8949	7193	12733
7	Other operating expenses	70	-6451	-10451	-9179	-14870
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	-2720	-1514	-3870	-2154
13	Operating profit	130	-24279	-6777	-34546	-9643
14	Extraordinary income	140				
15	Extraordinary expenses	150				
16	Profit before taxes	160	-24279	-6777	-34546	-9643
16	Corporate income tax	170				
17	Other taxes	180				
18	19Net profit for the year	190	-24279	-6777	-34546	-9643

The name of enterprise: **Joint-stock company "KURZEMES ATSLEGA 1"**

Reg.No.: **40003044007**

Address: **alvenes street 27, Aizpute, district Liepāja, LV3456, Latvia**

Cash flow statement 31 March 2009

(Cash flow statement, prepared using indirect method)

Indices	App endi ces	31.03.09.	31.03.08	31.03.09	31.03.0
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		-24279	-6777	-34546	-9643
Corrections:		17980	15216	25583	21560
a) Wear and tear of fixed assets;		15260	13702	21713	19496
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		2720	1514	3870	2154
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		6299	8439	-8963	12007
Adjustments:		15063	1750	21433	2489
a) Increase or decrease of residues of debts of debtors;		39677	21334	56455	-30356
b) Increase or decrease of residues of resources;		43638	11023	-62091	15684
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		19024	12061	27069	17161
3. The gross cash flow of basic activity.		8764	10189	12470	14496
4. Expenses for interest payments.		2720	-1514	-3870	-2154
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments					
7. Cash flow before extraordinary items.		6044	8675	8600	12343
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		6044	8675	8600	12343

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		-13153
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		-13153
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		1074		1528	
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-4888	-8453	-6955	-12002
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		-3814	-8453	5427	-12002
			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		2230	-9004	3173	-12812
VI. The reminder of currency and its equivalents at the beginning of year of account.		9865	27477	14037	39097
VII. The reminder of currency and its equivalents at the end of year of account.		12095	18473	17210	26285

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY

31 March 2009

(LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2007 LVL	918144	9142		255451	1182737
Current year profit				9353	9353
Revaluation reserve		6455			6455
dividend paid					
As of 31.December 2008 LVL	918144	15597		264804	1198545
dividend paid					
Current year profit				-24279	-24279
Revaluation reserve					
As of 31March 2009LVL	918144	15597		240525	1174266

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27,Aizpute

STATEMENT OF CHANGES IN EQUITY

31 March 2009

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2007	1306401	13008		363474	1682883
Current year profit				13308	13308
Revaluation reserve		9185			9185
dividend paid					
As of 31.December 2008	1306401	22193		376782	1705376
dividend paid					
Current year profit				-34546	-34546
Revaluation reserve					
As of 31March 2009	1306401	22193		342236	1670830

Accounting policy

.I. General principles

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 recognized 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
Non-industrial 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	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Overpayment of income-tax of enterprise	792	378	1127	538
Debtors of service	4378	2946	6229	4193
Other debtors	298	461	424	655
Kopā	5468	3785	7780	5386

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	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Nordic Environment Finance Corporation	0	3833		5454
NORD LB/Lizings	3625	7787	5158	11081
A/S ‘Kurzemes atslega’	0	25537	0	36334
Deferred tax	56580	27672	80506	39373
Deferred income	7455	11183	10607	15912
Total	67660	76012	96271	108154

4. Other borrowings (Short-term creditors)

Creditors	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Nordic Environment Finance Corporation	0	10695	0	15203
NORD LB/Lizings	3108	3781	4422	5394
Total	3108	14476	4422	20597

5. Borrowings from credit institutions.

Creditors	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
A/S NORD /LB Latvija	58274	54290	82916	77248

6. Liabilities to associated Enterprises

Business partner	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
A/S "Kurzemes atslega"	25765	2667	36660	3795

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Income tax of inhabitants	6268	5354	8919	7618
Obligatory payments of the state social insurance	38438	28229	54692	40166
Other tax	6811	3409	9691	4851
Total	51517	36992	73302	52365

8. The rest of creditors.

Kind of creditors	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Wages for March	15939	23624	22679	33614
Other creditors	2254	1744	3207	2481
Total	18193	25368	22886	36095

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Incomings from production of locks and ironmongery	222632	474092	316777	674573
Incomings from sales of goods in shop	4944	7332	7035	10432
Incomings from rendering of services	117	172	166	245
Incomings from rendering of public facilities	14055	11766	19998	16741
Total:	241748	49362	343976	701991

2. Production costs of sales.

The main elements of expenses	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Material costs	102829	252643	146312	359479
Wages	63318	96291	90093	137009
Obligatory payments of the state social insurance	15054	22953	21420	32659
Electrical energy	8435	18320	12002	26067
Costs of depreciation of fixed	15260	12787	21713	18194
The rest of expenses	56223	21723	79998	30909
Expenses in total	261119	424717	371539	604317
Correction of expenses				
Changes of remains of unfinished production	-5312	2505	-7558	3564
Changes of remains of self-made punches, molds and materials				
Changes of remains of complete product	-25362	23401	-36087	33298
Changes of remains self-made fixed assets	-4025		-5727	
Total	226420	450623	322167	641179

3. Distribution expenses

The main elements of expenses	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Wages	2511	2514	3573	3577
Social expenses	597	606	849	862
The rest of expenses		4514	0	6422
Total	3108	7634	4422	10861

4. Administration expenses.

The main elements of expenses	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Wages	25328	29050	36038	41334
Social expenses	5884	6740	8372	9590
The rest of expenses	1189	3075	1692	4375
Total	32401	38865	46102	55299

5. The rest of incomes for economic activity

Sort of revenue	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
Sales of current assets	5055	8449	7193	12022
The rest of incomes		500		711
Total	5055	8949	7193	12733

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.09 LVL	31.03.08 LVL	31.03.09 EUR	31.03.08 EUR
First cost of sold current assets	3931	7350	5593	10458
Expenses for social sphere	880	1397	1252	1988
Expenses, unrelated with economic activity, donations	1640	1704	2334	2425
Heads of expenditure	6451	10451	9179	14871

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

Aldis Ozols