

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**Non-audited
FINANCIAL REPORT
31 March 2013**

Contents

1. Information on enterprise	3
2. Report of Direction and Statement of responsibility of direction	4
3. Balance sheet	6
4. Profit and loss account.....	8
5. Cash flow statement	9
6. Statement of changes in equity	11
7. Accounting policy.....	13
8. Information for the ‘’Balance sheet’’.....	15
9. Information for the ’’Profit and loss account’.....	17

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, 2013– March 31, 2013
Members of Supervisory Council	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Modris Moisejs-Member of Supervisory Council, "Kurzemes Atslega 1" JSC, Manager of the Electroplating Shop, Technologic-Mehanic Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council Irena Burve- Member of Supervisory Council, "Kurzemes Atslega 1", chief accountant
Members of Board	Voldemārs Magone – Member of Board, "Kurzemes Atslega 1", JSC Technical director Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production director
Chairman of Board	Peteris Fridenbergs
Auditor	SIA "ES Audits" Certified Auditor Edīte Sončika , Certificate Nr. 1

May 31 2013

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 2013 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 2013 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	Voldemārs Magone
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Member of the Board	Aldis Ozols
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Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st quarter of 2013 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 329307 LVL in the 1st quarter of the 2013 is down by 10.1% or 36970 LVL in comparison with the 1st quarter of the last year. The first quarter of the 2013 has finalized with losses in amount of 11915 LVL.

Average number of employees during the 1st quarter is 104.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 47.6%,
- export – 52.5%

State	LVL	%
Latvia	156746	47.6
Lithuania	62365	18.9
Uzbekistan	40934	12.4
Belize	34359	10.4
Estonia	22022	6.7
Denmark	12881	4
Total	329307	100

In comparison with 3 month of the last year, export has increased by 5.6% during the first 3 months of the 2013. Unfortunately sale in local market has reduced.

To ensure financial risk management JSC “Kurzemes atslega 1” follows-up the liquidity, regularly controls the cash flow of the enterprise.

To achieve profitable activity, the board considers taking tight control over costs and should curtail expenses as well as find new outlets for the production.

BALANCE SHEET on 31 March 2013

ASSETS 1	Note nr	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
1.LONG TERM INVESTMENT					
1.Development costs		10000	20000	14229	28457
2.Concessions, patents, licences		326	653	464	929
Total		10326	20653	14693	29386
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		400440	382179	569775	543792
2.Equipment and machinery		97197	109695	138229	156082
3.Other fixed assets		23966	25166	34100	35808
4.Fixed assets development costs		0	36827	0	52400
5.Prepayment for fixed assets					
II Total fixed assets		521603	553867	742174	788082
1.Total LONG TERM INVESTMENT		531929	574520	746867	817468
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		333589	336303	474654	478516
2. Work in progress		165788	164685	235895	234326
3.Finished goods and goods for sale		134705	107802	191668	153388
5.Advance payment for goods		50779	21125	72252	30058
I. Total inventories		684861	629915	974469	896288
II. Debtors					
1.Trade debtors		123534	102873	175773	146375
4.Other debtors	1	13594	8145	19343	11589
7.Deferred expenses		210	210	299	299
II. Total debtors		137338	111228	195415	158263
III. Securities and capital participation					
IV . Cash		43678	59927	62148	85268
2.Total current assets		865877	801070	1232032	1139820
Total assets		1397806	1375590	1988899	1957288

LIABILITIES 1	Note nr	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
1.CAPITAL					
1.Share capital	2	918144	918144	1306401	1306401
3.Revaluation reserve		15597	15597	22193	22193
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit					
a) previous years retained profit		221954	220166	315812	313268
current year profit		-11915	-13074	-16953	-18603
1Total Capital and reserves		1143780	1140833	1627453	1623259
2.PROVISIONS		21288	23817	30290	33889
3.CREDITORS					
1.Long term creditors					
Other loans		0	0	0	0
Amounts payable to associated companies		0	0	0	0
Deferred tax	3	46227	50516	65775	71878
Deferred income		0	0	0	0
1.Total long term creditors		46227	50516	65775	71878
2.Short-term creditors					
3. Other loans		0	0	0	0
4. Bank loan	4	16790	31778	23890	45216
5.Advances received from customers		40589	4083	57753	5810
6.Trade creditors		73835	71228	105058	101348
8.Amounts payable to associated companies	5	12193	20156	17349	28679
10.Taxes and social security payments	6	18042	15017	25671	21367
11.Other creditors	7	18602	18162	26468	25842
Deferred income		0	0	0	0
Deferred liabilities		6460	0	9192	0
2. Total short-term creditors		186511	160424	265381	228262
Total creditors		232738	210940	331156	300140
Total liabilities		1397806	1375590	1988899	1957288

1 EUR 31.03.2013 31.03.2012 0.702804

Chairman of Board:

Peteris Fridenberg

Members of Board :

Voldemārs Magone

Aldis Ozols

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

Profit or loss account

31 March 2013

N.	Item	Note nr.	31.03.13	31.03.12.	31.03.13	31.03.12
			LVL	LVL	EUR	EUR
1	Net sales	1	329307	366277	468562	521165
2	Cost of sales	2	-301457	-343594	-428934	-488890
3	Gross profit		27850	22683	39628	32275
4	Distribution expenses	3	-9480	-5190	-13489	-7385
5	Administration expenses	4	-31378	-27353	-44647	-38920
6	Other operating income	5	4370	3824	6218	5441
7	Other operating expenses	6	-3143	-6711	-4472	-9549
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes		0	0	0	0
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		-134	-327	-191	-465
13	Operating profit		-11915	-13074	-16953	-18603
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-11915	-13074	-16953	-18603
16	Corporate income tax					
17	Other taxes		0	0	0	0
18	19Net profit for the year		-11915	-13074	-16953	-18603

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Voldemārs Magone

Aldis Ozols

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

Reg.No.: **40003044007**

Address: **Kalvenes street 27, Aizpute, district Liepaja, LV3456, Latvia**

Cash flow statement 31 March 2013

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	31.03.13	31.03.12	31.03.13	31.03.12
		LVL	LVL	EUR	EUR
2	1.	3.		5	
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-11915	-13074	-16953	-18603
Corrections:		8632	14788	12282	21042
a) Wear and tear of fixed assets;		10941	12376	15567	17609
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;		-2443	2085	-3476	2968
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		0	0	0	0
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		134	327	191	465
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		-3283	1714	-4671	2439
Adjustments:		-38040	14950	-54126	21272
a) Increase or decrease of residues of debts of debtors;		-20163	23239	-28689	33066
b) Increase or decrease of residues of resources;		-58282	13097	-82928	18635
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		40405	-21386	57491	-30429
3. The gross cash flow of basic activity.		-41323	16664	-58797	23711
4. Expenses for interest payments.		-134	-327	-191	-465
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		0	0	0	0
7. Cash flow before extraordinary items.		-41457	16337	-58988	23246
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		-41457	16337	-58988	23246

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		-292	-3458	-415	-4920
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests		0	0	0	0
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-292	-3458	-415	-4920
III. Financing activities					
1.	2.	3.	4.	5.	8.
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		16790	23675	23890	33686
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans					
5. Expenses for redemption of hired fixed assets					
6. Dividends paid					
7. Changes of reserves					
7. Net cash flow of financing activity		16790	23675	23890	33686
IV. The result of exchange rate fluctuations of foreign currency.					
		2443	-2085	3476	-2967
V. The net cash flow of year of account					
		-22516	34469	-32037	49045
VI. The reminder of currency and its equivalents at the beginning of year of account.					
		66194	25458	94185	36223
VII. The reminder of currency and its equivalents at the end of year of account.					
		43678	59927	62148	85268

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27, Aizpute, Latvia

STATEMENT OF CHANGES IN EQUITY

31 March 2013

(LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31.December 2011 LVL	918144	15597		220166	1153907
Current year profit				1788	1788
Revaluation reserve					
dividend paid					
As of 31 march 2012 LVL	918144	15597		221954	1155695
dividend paid					
Current year profit				-11915	-11915
Revaluation reserve					
As of 31 march 2013 LVL	918144	15597		210039	1143780

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

STATEMENT OF CHANGES IN EQUITY
 31 March 2013
 (EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31.December 2011	1306401	22193		313268	1641862
Current year profit				2544	2544
Revaluation reserve					
dividend paid					
As of 31 March 2012	1306401	22193		315812	1644406
dividend paid					
Current year profit				-16953	-16953
Revaluation reserve					
As of 31 March 2013	1306401	22193		298859	1627453

Accounting policy

I. General principles

Annual report items are evaluated according to the following principles:

- 1) assuming the company will continue to function;
- 2) used the same evaluation methods as in the previous financial year;
- 3) evaluation was made with proper caution, taking into consideration the following conditions:
 - a) the report reflects only the profit by the balance day
 - b) all foreseeable risk amounts and losses, incurred during the financial year or in previous years, are taken into account, even if they became known in the period between the day of balance sheet and the annual report preparation date.
 - c) calculated and taken into account all the write-down adjustments and depreciation amounts, irrespective of whether the financial year is closed with a profit or loss;
- 4) receipts and expenditures related to financial year are included into profit and loss account, irrespective of payment date and date of issue or receipt of the invoice. the costs are consistent with receipts during corresponding reporting period;
- 5) item components of the assets and liabilities were valued separately;
- 6) the opening balance of the financial year is consistent with closing balance of the prior year;
- 7) indicated all items that have a significant impact on user rating of the annual report or decision making;
- 8) economic activities of the company are recorded and reflected in the annual report, taking into account their economic content and entity, not only the legal form.
- 9) 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.

	31.03.2013.	31.03.2012
USD	0.547	0.544
EUR	0.702804	0.702804
LTL	0.204	0.204

II. Earning recognition and net turnover

11) 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.

12.1) Other earnings are recognized at the moment of their origin or at the moment when legal rights on such earnings arise.

12.2) Other interest receivable and similar income is income that is not directly from the economic activity.

III. Fixed assets

13) All fixed assets originally estimated at the purchase value, excluding depreciation

14) Depreciation are calculated linear, accordingly confirmed parameters, using the following rates determined by administration:

	(% year)
Building, construction	2
Transmission equipment	5
Non industrial buildings	2
Technological equipment	10
The power equipment	14.3
Computers	20
Transport	14.3
Instrument	20
Inventory	10

IV. Debts of debtors

15) 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

16) 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.

17) 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 Provisions

18)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	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Overpayment of tax of enterprise	0	838	0	1192
Debtors of service	5638	4407	8022	6271
Other debtors	7956	2900	11321	4126
Total	13594	8145	19343	11589

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.

20 % (183670 equities) of share capital belongs to SCI AG

9.5 % (87199 equities)of share capital belongs to Rolands Livmanis.

3.Other borrowings (long term creditors)

Creditors	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Deferred tax	46227	50516	65775	71878
Total	46227	50516	65775	71878

4. Borrowings from credit institutions.

Creditors	31.03.13	31.03.12	31.03.13	31.03.12
		LVL	EUR	EUR
A/S DNB bank	16790	31778	23890	45216

5. Liabilities to associated Enterprises

Business partner	31.03.13	31.03.12	31.03.13	31.03.12
	LVL	LVL	EUR	EUR
A/S "Kurzemes atslēga"	12193	20156	17349	28679

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.13	31.03.12	31.03.13	31.03.12
	LVL	LVL	EUR	EUR
Income tax of inhabitants	4459	4388	6344	6243
Obligatory payments of the state social insurance	10649	10462	15152	14886
Other tax	2934	167	4175	238
Total	18042	15017	25671	21367

8. The rest of creditors.

Kind of creditors	31.03.13	31.03.12	31.03.13	31.03.12
	LVL	LVL	EUR	EUR
Wages for March	15229	14917	21669	21225
Other creditors	3373	3245	4799	4617
Total	18602	18162	26468	25842

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Incomings from production of locks and ironmongery	299401	340638	426009	484684
Incomings from sales of goods in shop	4723	4273	6721	6080
Incomings from rendering of services	8972	5602	12766	7971
Incomings from rendering of public facilities	16211	15764	23066	22430
Total:	329307	366277	468562	521165

2. Production costs of sales.

The main elements of expenses	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Material costs	211856	203458	301444	289495
Wages	67785	68542	96449	97526
Obligatory payments of the state social insurance	16145	16317	22972	23217
Electrical energy	19938	14143	28369	20124
Costs of depreciation of fixed	10025	12376	15567	17609
Received services	6077	10180	8647	14485
The rest of expenses	21382	16372	29121	23295
Expenses in total	353208	341388	502569	485751
Correction of expenses				
Changes of remains of unfinished production	-5685	13713	-8089	19512
Changes of remains of self-made punches, molds and materials	-4949	-8065	-7042	-11475
Changes of remains of complete product	-41117	-3442	-58504	-4898
Total	301457	343594	428934	488890

3. Distribution expenses

The main elements of expenses	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Wages	2288	2413	3256	3433
Social expenses	544	443	774	631
Marketing Services	6563	2334	9338	3321
Expenditure on advertising	85	0	121	0
Total	9480	5190	13489	7385

4. Administration expenses.

The main elements of expenses	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Wages	24229	21135	34475	30072
Social expenses	5676	4942	8076	7032
Communication expenses	323	380	460	541
Cost for bank account services	575	420	818	598
Other expenses	575	476	818	677
Total	31378	27353	44647	38920

5. The rest of incomes for economic activity

Sort of revenue	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Sales of current assets	1927	3780	2742	5378
Profits from increase in exchange rates fluctuations	2443	0	3476	0
Other incomes	0	44	0	63
Total	4370	3824	6218	5441

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.13 LVL	31.03.12 LVL	31.03.13 EUR	31.03.12 EUR
Loss from increase in exchange rates fluctuations	0	2085	0	2966
First cost of sold current assets	2957	2961	4207	4213
Expenses for social sphere	186	1153	265	1641
Expenses, unrelated with economic activity, donations	0	512	0	729
Heads of expenditure	3143	6711	4472	9549

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Voldemārs Magone

Aldis Ozols