

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**FINANCIAL REPORT FOR FIRST 6 MONTHS
OF THE YEAR 2013
(NON-AUDITED)**

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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
NACE 2	25.72 Production of locks and ironware
Financial period	1 January 2011– 30 June 2013
Members of Supervisory Council (from Mai 10 .2010)	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-Mechanic Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Bīķis –Member of Supervisory Council
Members of Supervisory Council (from June 06.2013)	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Valdis Bīķis –Member of Supervisory Council Rolands Līvmanis-Member of Supervisory Council, Ulrich Arndt Schafer - Member of Supervisory Council, Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant
Members of Board (from July 20.2012)	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(from July 20.2012)	Peteris Fridenbergs
Auditor	SIA ES AUDITS Certified Auditor Edite Sončika, Certificate Nr. 1

Managerial report

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

Net turnover has reached 703134 LVL (1000469 EUR) in the 1st half of 2013 is up by 9678 LVL (13770 EUR) or 1.4% in comparison with the same period of the last year.

The amount of sold ironware in local market has reduced.

The 1st half of the 2013 has finalized with losses in amount of 9688 LVL (13785 EUR).

Volume of sold production divides as follows:

- sold in local market (Latvia) – 51.6%,
- export – 48.4 %

State	LVL	%
Latvia	363097	51.6
Lithuania	119726	17.0
Uzbekistan	90668	13
Estonia	51598	7.3
Belize	49256	7
Denmark	13746	2
Ukraine	5252	0.7
Russia	8274	1.2
Finland	1517	0.2
Total	703134	100

In the 1st half of the 2012 volume of sold production divided as follows:

- sold in local market (Latvia) – 57.3%,
- export – 42.7 %

Currently 104 employees are being engaged in enterprise.

To achieve profitable activity, the board considers taking tight control over costs and should curtail expenses. Work on market expansion is being continued.

Liquidity ratio.

Liquidity – solvency, i.e. ability to extinguish short-term obligations in time and completely.

Total ratio of liquidity 7.06

Quick ratio 1.6

Absolute liquidity ratio 0.55

Liability ratio.

Liability ratio in balance 0.12

Liability ratio to equity 0.14

Equity ratio to total assets 0.86

Borrowed funds ratio 0.14

Activity ratio 1.0

Profitability ratios:

Sales profitability (%) -1.38%

Equity profitability (%) -0.85%

Aizpute ,August 30,2013

Statement of responsibility of direction.

Non-audited report of the first 6 months 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 the first 6 months 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	Aldis Ozols
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Member of the Board	Voldemārs Magone
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BALANCE SHEET FOR 6 MONTHS OF 2013

ASSETS 1	Row code	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
1.LONG TERM INVESTMENT					
1.Expenses of development		10000	20000	14229	28457
2.Concessions, patents, licenses		326	653	464	929
Total		10326	20653	14693	29386
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		397782	379698	565993	540262
2.Equipment and machinery		90068	102641	128155	146045
3.Other fixed assets		22880	27638	32555	39325
4.Fixed assets development costs		0	39210	0	55791
5.Prepayment for fixed assets					
II Total fixed assets		510730	549187	726703	781423
1.Total LONG TERM INVESTMENT		521056	569840	741396	810809
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		328877	330749	467950	470613
2.Work in progress		183195	175361	260663	249516
3.Finished goods and goods for sale		95841	102492	136369	145834
5.Advance payment for goods		16139	14803	22964	21062
I. Total inventories		624052	623405	887946	887025
II. Debtors					
1.Trade debtors		110264	148078	156892	210696
4.Other debtors		8906	5056	12672	7194
7.Deferred expenses		210	210	299	299
II. Total debtors		119380	153344	169862	218189
III. Securities and capital participation					
IV . Cash		63318	20188	90093	28725
2.Total current assets		806750	796937	1147902	1133939
Total assets		1327806	1366777	1889298	1944748

LIABILITIES 1	Row code	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
1.CAPITAL					
1.Share capital	1	918144	918144	1306401	1306401
3.Revaluation reserve		15597	15597	22193	22193
4.Reserves					
a)legal reserves					
4.Total reserves					
5.Retained profit		212266	208471	302027	296627
a) previous years retained profit		221954	220166	315812	313267
b)current year profit		(9688)	(11695)	13785	(16640)
1Total Capital and reserves		1146007	1142212	1630621	1625221
2.PROVISIONS		21288	23817	30290	33888
3.CREDITORS					
1.Long term creditors					
Other loans					
.Amounts payable to associated companies					
Deferred tax		46227	50516	65776	71878
Deferred income		0	0	0	0
1.Total long term creditors		46227	50516	65776	71878
2.Short-term creditors					
3. Other loans		0	0	0	0
4..Bank loan	2	6824	16659	9710	23704
5.Advances received from customers		5859	5002	8337	7117
6.Trade creditors		53310	80569	75853	114639
8.Amounts payable to associated companies		8276	11410	11776	16235
10.Taxes and social security payments	3	18663	19233	26555	27366
11.Other creditors	4	16324	17359	23227	24700
Deferred income		0	0	0	0
Deferred liabilities		5028	0	7154	0
2. Total short-term creditors		114284	150232	162612	213761
Total creditors		160511	200748	228387	285639
Total liabilities		1327806	1366777	1889298	1944748

1 EUR 30.06.2013 ,30.06.2012 0.702804 LVL

JSC "KURZEMES ATSLEGA 1"

reg.No.40003044007

Taxpayer No.LV40003044007

Address : Kalvenes str.27, Aizpute

Profit or loss account

FOR 6 MONTHS 2013

N.	Item	line No	30.06.2013	30.06.2012	30.06.2013	30.06.2012
			LVL	LVL	EUR	EUR
1	Net sales	1	703134	693456	1000470	986699
2	Cost of sales	2	(628662)	(635564)	(894505)	(904326)
3	Gross profit or loss		74472	57892	105964	82373
4	Distribution expenses	3	(22672)	(14416)	(32259)	(20512)
5	Administration expenses	4	(62659)	(56002)	(89156)	(79684)
6	Other operating income	5	9847	11956	14011	17012
7	Other operating expenses	6	(6521)	(7983)	(9279)	(11359)
12	Interest paid and similar expense		(323)	(686)	(460)	(976)
13	Operating profit		(7856)	(9239)	(11178)	(13146)
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit or loss before taxes		(7856)	(9239)	(11178)	(13146)
16	Corporate income tax					
17	Other taxes		(1832)	(2456)	(2607)	(3494)
18	Deferred tax					
18	Net profit or loss for the year		(9688)	(11695)	(13785)	(16640)

Chairman of Board:

Peteris Fridenberg

Members of Board :

Aldis Ozols

Voldemārs Magone

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 FOR 6 MONTHS OF 2013

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.06.2013	30.06.2012	30.06.2013	30.06.2012
		LVL	LVL	EUR	EUR
2	1.				5
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		(7856)	(9239)	(11178)	(13146)
Corrections:		20502	25680	29172	36539
a) Wear and tear of fixed assets;		21874	24625	31124	35038
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;		(1695)	369	(2412)	525
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		323	686	460	976
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		12646	16441	17994	23393
Adjustments:		(21534)	(15730)	(30640)	(22382)
a) Increase or decrease of residues of debts of debtors;		(2205)	(18877)	(3137)	(26860)
b) Increase or decrease of residues of resources;		2527	19607	3595	27898
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		(21856)	(16460)	(31098)	(23420)
3. The gross cash flow of basic activity.		(8888)	711	(12646)	1011
4. Expenses for interest payments.		(323)	(686)	(460)	(976)
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		(1832)	(2456)	(2607)	(3494)
7. Cash flow before extraordinary items.		(11043)	(2431)	(15713)	(3459)
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		(11043)	(2431)	(15713)	(3459)

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		(352)	(11026)	(501)	(15688)
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		(352)	(11026)	(501)	(15688)
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		6824	8556	9710	12174
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		6824	8556	9710	12174
IV. The result of exchange rate fluctuations of foreign currency.					
		1695	(369)	2412	(525)
V. The net cash flow of year of account					
		(2876)	(5270)	(4092)	(7498)
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.					
		63318	20188	90093	28725

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

STATEMENT OF CHANGES IN EQUITY
FOR 6 MONTHS OF 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.December 2012LVL	918144	15597		221954	1155695
dividend paid					
Current year profit				(9688)	(9688)
Revaluation reserve					
As of 30 June 2013LVL	918144	15597		212266	1146007

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 6 MONTHS OF 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.December 2012	1306401	22193		315812	1644406
dividend paid					
Current year profit				(13785)	(13785)
Revaluation reserve					
As of 30 June 2013	1306401	22193		302027	1630621

Accounting policy

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.

	30.06.2013	30.06.2012
USD	0.539	0.562
EUR	0.702804	0.702804
LTL	0.204	0.204

II. Earning recognition and net turnover

10. 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.

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

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

III. Fixed assets

12. All fixed assets originally estimated at the purchase value, excluding depreciation

13. 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
Computer	20
Transport	14.3
Instrument	20
Inventory	10

IV. Debts of debtors

14. 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 Enterprise income tax

18. The corporate income tax for the reporting year has been calculated complying the legislative requirements of the Republic of Latvia.

19. 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

20. 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.

1.Information for the ‘Balance sheet’.

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

- in public returns 656356 ,- 71.5%

- in closed register 261788.- 28.5%

48.36% (443976equites)of share capital belongs to A/S “KURZEMES ATSLEGA ‘ ,
reg.40003253124.

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

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

2. Borrowings from credit institutions.

Creditors	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
A/S DNB BANKA	6824	16659	9710	23704

3. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Income tax of inhabitants	4321	4343	6148	6179
Obligatory payments of the state social insurance	10249	10357	14583	14737
Other tax	4093	4533	5824	6450
Total	18663	19233	26555	27366

6. The rest of creditors.

Kind of creditors	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Wages for June	13059	13926	18581	19815
Other creditors	3265	3433	4646	4885
Total	16324	17359	23227	24700

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Incomings from production of locks and ironmongery	666771	664886	948730	946048
Incomings from rendering of services	36363	28570	51740	40651
Total:	703134	693456	1000470	986699

2. Production costs of sales.

The main elements of expenses	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Material costs	383592	366456	545802	521420
Wages	136559	136191	194306	193782
Obligatory payments of the state social insurance	32515	32419	46265	46128
Electrical energy	36720	30257	52248	43052
Costs of depreciation of fixed	21874	24625	31124	35038
The rest of expenses	31673	29306	45067	41699
Import duty	3498	2844	4977	4047
Services received	14750	20913	20987	29756
Expenses in total	661181	643011	940776	914922
Correction of expenses				
Changes of remains of unfinished production	(23092)	(12353)	(32857)	(17577)
Changes of remains of self-made punches, molds and materials	(7174)	3038	(10208)	4323
Changes of remains of complete product	(2253)	1868	(3206)	2658
Total	628662	635564	894505	904326

3. Distribution expenses

The main elements of expenses	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Wages	4650	4725	6616	6723
Social expenses	1106	994	1574	1414
Marketing Services	16769	8697	23860	12375
The rest of expenses	147	0	209	0
Total	22672	14416	32259	20512

4. Administration expenses.

The main elements of expenses	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Wages	48317	43291	68749	61599
Social expenses	11305	10134	16086	14419
Telecommunication service	850	865	1210	1231
Cash turnover expenses	994	869	1414	1236
The rest of expenses	1193	843	1697	1199
Total	62659	56002	89156	79684

5. The rest of incomes for economic activity

Sort of revenue	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Sales of current assets	8011	11542	11398	16423
Incomes from exchange rate fluctuations	1695	0	2412	0
The rest of incomes	141	414	201	589
Total	9847	11956	14011	17012

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Expenses for social sphere	324	1290	461	1836
Expenses, unrelated with economic activity, donations	6056	6693	8617	9523
Other	141	0	201	0
Heads of expenditure	6521	7983	9279	11359

Chairman of Board:

Peteris Fridenbergis

Members of Board :

Aldis Ozols

Voldemārs Magone