

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9 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
Financial period	1 January 2013– 30 September 2013
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 Ardnt 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 May 14, 2009)	Peteris Fridenbergs
Auditor	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 last 9 months of 2013 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. are being produced.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 1074736 LVL.

Net turnover for the nine months of 2013 compared with the first nine months of the 2012 has decreased by 11323 LVL- 1%. Demand for building constructions has reduced. Losses has reached 3459 LVL on September 30, 2013.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 48.1%,
- export – 51.9 %

State	9 months of the 2013 LVL		9 months of the 2012 LVL	%
Latvia	516630	48.1	602192	55.4
Lithuania	183666	17.1	206266	19
Uzbekistan	132543	12.3	110905	10.2
Estonia	73297	6.8	63805	5.9
Belize	108557	10.1	36529	3.4
Russia	8274	0.8	25392	2.3
Ukraine	23643	2.2	21410	2
Other	41670	3.9	19560	1.8
Total	1074736	100	1086059	100

Number of employees in 9 months of the 2013 is 104, average wage 307 LVL. 104 employees, average salary 297 LVL in 9 months last year. In comparison with corresponding period of previous period, average salary is up by 3.4%. The company continues to work on attracting new customers.

Liquidity ratio.

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

Total ratio of liquidity 4.6

Quick ratio 1.07

Absolute liquidity ratio 0.27

Liability ratio.

Liability ratio in balance 0.17

Liability ratio to equity 0.20

Equity ratio to total assets 0.82

Borrowed funds ratio 0.20

Activity ratio 1.47

Profitability ratios:

Sales profitability (%) -0.32

Equity profitability (%) -0.30

Statement of responsibility of direction.

Non-audited report of the first 9 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 9 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	Voldemārs Magone
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Member of the Board	Aldis Ozols
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BALANCE SHEET FOR 9 MONTHS OF 2013.

ASSETS 1	Row code	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
1.LONG TERM INVESTMENT					
1.Concesions, patents, licenses		326	653	464	929
2. Expenses of development		10000	20000	14229	28458
Total		10326	20653	14693	29387
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		404116	377218	575005	536733
2.Equipment and machinery		115952	96108	164985	136749
3.Other fixed assets		15483	24684	22030	35122
4.Fixed assets development costs		0	38620	0	54951
5.Prepayment for fixed assets					
II Total fixed assets		535551	536630	762020	763555
1.Total LONG TERM INVESTMENT		545877	557283	776713	792942
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		343950	308372	489397	438774
2.Work in progress		170788	163332	243009	232401
3.Finished goods and goods for sale		111220	94427	158252	134357
5.Advance payment for goods		33873	29600	48197	42117
I. Total inventories		659831	595731	938855	847649
II. Debtors					
1.Trade debtors	1	144560	143907	205690	204761
4.Other debtors		6729	7564	9575	10763
7.Deferred expenses		210	210	299	299
II. Total debtors		151499	151681	215564	215823
III. Securities and capital participation					
IV . Cash		49813	35029	70877	49842
2.Total current assets		861143	782441	1225296	1113314
Total assets		1407020	1339724	2002009	1906256

1 EUR 30.09.2013.,30.09.2012 0.702804

LIABILITIES 1	Row code	30.09.13 LVL	30.09.12. LVL	30.09.13 EUR	30.09.12. 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		-3459	-30976	-4922	-44073
1Total Capital and reserves		1152236	1122932	1639484	1597789
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
1.Total long term creditors		46227	50516	65775	71878
2.Short-term creditors					
3. Other loans		0	0	0	0
4..Bank loan	4	14061	2851	20007	4057
5.Advances received from customers		49230	7987	70048	11364
6.Trade creditors		65604	72486	93346	103138
8.Amounts payable to associated companies	5	17701	17367	25186	24711
10.Taxes and social security payments	6	15067	19519	21438	27773
11.Other creditors	7	18903	17256	26897	24553
Deferred income			0		0
Deferred liabilities		6703	4993	9538	7104
2. Total short-term creditors		187269	142459	266460	202700
Total creditors		233496	192975	332235	274578
Total liabilities		1407020	1339724	2002009	1906256

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

Profit or loss account
FOR 9 MONTHS 2013

N.	Item	line No	30.09.13	30.09.12.	30.09.13	30.09.12.
			LVL	LVL	EUR	EUR
1	Net sales	1	1074736	1086059	1529212	1545323
2	Cost of sales	2	-946184	-1010390	-1346299	-1437655
3	Gross profit		128552	75669	182913	107667
4	Distribution expenses	3	-35336	-23710	-50278	-33736
5	Administration expenses	4	-94792	-86899	-134877	-123646
6	Other operating income	5	11468	23101	16317	32869
7	Other operating expenses	6	-10167	-13269	-14466	-18880
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes					
11	Long term investments and					
	short-terms bond write-off					
12	Interest paid and similar expense		-437	-942	-622	-1340
13	Operating profit		-712	-26050	-1013	-37065
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-712	-26050	-1013	-37065
16	Corporate income tax					
17	Other taxes		-2747	-4925	-3909	-7008
18	Net profit for the year		-3459	-30975	-4922	-44073

Losses per stock 30.09.2013. 0.004 LVL, 0.005 EUR

Profit per stock 30.09.2012. 0.03 LVL, 0.48EUR

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

Reg.No.: **40003044007**

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

CASH FLOW STATEMENT FOR 9 MONTHS OF 2013

(Cash flow statement, prepared using indirect method)

Indices	Appen ndici es	30.09.13.	30.09.12.	30.09.13	30.09.12
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-712	-26050	-1013	-37065
Corrections:		33699	40192	47949	57188
a) Wear and tear of fixed assets;		32775	37144	46635	52851
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;		487	2106	693	2997
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		437	942	622	1340
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		32987	14142	46936	20123
Adjustments:		-23684	19643	-33699	27949
a) Increase or decrease of residues of debts of debtors;		-34324	-17214	-48839	-24493
b) Increase or decrease of residues of resources;		-33252	47281	-47313	67274
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		43892	-10424	62453	-14832
3. The gross cash flow of basic activity.		9303	33785	13237	48072
4. Expenses for interest payments.		-437	-942	-622	-1340
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-2747	-4925	-3909	-7008
7. Cash flow before extraordinary items.		6120	27918	8708	39724
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		6120	27918	8708	39724

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		-36075	-10989	-51330	-15636
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		-36075	-10989	-51330	-15636
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		14061	-5252	20007	-7473
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		14061	-5252	20007	-7473
			0		0
			0		0
IV. The result of exchange rate fluctuations of foreign currency.		-487	-2106	-693	-2997
			0		0
V. The net cash flow of year of account		-16381	9571	-23308	13618
VI. The reminder of currency and its equivalents at the beginning of year of account.		66194	25458	94186	36223
VII. The reminder of currency and its equivalents at the end of year of account.		49813	35029	70878	49841

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

STATEMENT OF CHANGES IN EQUITY
FOR 9 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				-3459	-3459
Revaluation reserve					
As of 30 September 2013LVL	918144	15597		218495	1152236

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 9 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				-4922	-4922
Revaluation reserve					
As of 30 September 2013	1306401	22193		310890	1639484

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 recognised 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.

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, 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

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.Trade debtors.

	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Trade debtors	144560	161732	205690	230124
Reserve for debts	17947	17825	25536	25363
Net Value trade debtors	162507	143907	321227	204761

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 ”, reg.40003253124.

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

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

3.Other borrowings (long term creditors)

Creditors	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Deferred tax	46227	50516	65775	71878
Deferred income	0	0	0	0
Total	46227	50516	65775	71878

4. Borrowings from credit institutions.

Creditors	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
A/S DNB bank	14061	2851	20007	4057

5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Income tax of inhabitants	4307	4336	6128	6169
Obligatory payments of the state social insurance	10605	10011	15090	14244
Value added tax	0	3847	0	5474
Other tax	155	1325	220	1886
Total	15067	19519	21438	27773

6. The rest of creditors.

Kind of creditors	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Wages for September	15629	13833	22238	19683
Other creditors	3274	3423	4659	4870
Total	18903	17256	26897	24553

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Incomings from production of locks and ironmongery	1012249	1030344	1440301	1466047
Incomings from sales of goods in shop	19701	17669	28032	25141
Incomings from rendering of services	24800	21009	35287	29893
Incomings from rendering of public facilities	17986	17037	25592	24242
Total:	1074736	1086059	1529212	1545323

2. Production costs of sales.

The main elements of expenses	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Material costs	588432	586023	837263	833835
Wages	207919	203626	295842	289734
Obligatory payments of the state social insurance	49477	48486	70399	68989
Electrical energy	53338	49615	75893	70596
Costs of depreciation of fixed	32775	37144	46635	52851
Environment protection expenses	5004	5025	7120	7150
The rest of expenses	33153	28301	47173	40269
Wear of low value stock	7004	9611	9966	13675
Import duty	4321	3623	6148	5155
Services received	27048	30411	38486	43271
Expenses in total	1008471	1001865	1434925	1425525
Correction of expenses				
Changes of remains of unfinished production	-10685	15067	-15203	21438
Changes of remains self-made fixed assets	-22931	0	-32628	0
Changes of remains of self-made punches, molds and materials	-11038	-16475	-15706	-23442
Changes of remains of complete product	-17633	9933	-25089	14134
Total	946184	1010390	1346299	1437655

3. Distribution expenses

The main elements of expenses	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Wages	7557	7116	10753	10125
Social expenses	1799	1564	2559	2225
Marketing services	25039	14778	35627	21027
The rest of expenses	941	252	1339	359
Total	35336	23710	50278	33736

4. Administration expenses.

The main elements of expenses	30.09.13. LVL	30.09.12. LVL	30.09.13 EUR	30.09.12. EUR
Wages	72323	66701	102906	94907
Social expenses	16892	15625	24035	22232
The rest of expenses	1162	1374	1653	1955
Telecommunication service	1737	1452	2472	2066
Cash turnover expenses	2678	1747	3811	2486
Total	94792	86899	134877	123646

5. The rest of incomes for economic activity

Sort of revenue	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Sales of current assets	11468	18218	16317	25922
Sales of Fixed assets	0	0	0	0
The rest of incomes	0	4883	0	6948
Total	11468	23101	16317	32870

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.13. LVL	30.09.12. LVL	30.09.13. EUR	30.09.12. EUR
Expenses for social sphere	550	1467	783	2087
Expenses, unrelated with economic activity, donations	586	2140	834	3045
Harm recompense	8871	8860	12622	12607
Other expenses	160	802	227	1141
Heads of expenditure	10167	13269	14466	18880

Chairman of Board:

Peteris Fridenbergis

Members of Board:

Voldemārs Magone

Aldis Ozols

