

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

**Non-audited
FINANCIAL REPORT
31 March 2012**

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.....	9
5. Cash flow statement	10
6. Statement of changes in equity	12
7. Accounting policy.....	14
8. Information for the ‘Balance sheet’.....	17
9. Information for the ‘Profit and loss account’.....	19

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, 2012– March 31, 2012
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 Bīkis – KURZEMES ATSLEGA 1", Member of Supervisory Council Irena Burve- Member of Supervisory Council, "Kurzemes Atslega 1", chief accountant
Members of Board	Andris Taurins – 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	Certified Auditor Aivars Rutkis , Certificate Nr. 18

3. Report of Direction

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st quarter of 2012 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 366277 LVL in the 1st quarter of 2012 is up by 31727 LVL or 9.5% in comparison with the same period of the last year. The first quarter of 2011 has finalized with losses in amount of 13074 LVL.

Average number of employees during the 1st quarter is 105.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 55.4%,
- export – 44.6 %

State	LVL	%
Uzbekistan	68572	42
Lithuania	63482	39
Estonia	18093	11
Other	13212	8

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.

May 31 2012

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 2012 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 2012 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 -27, Aizpute, LV 3456, Latvia

UNIT :LVL, EUR

BALANCE SHEET

On 31 March 20112

ASSETS 1	Note nr	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
1.LONG TERM INVESTMENT					
1.Development costs		20000	30000	28457	42686
2.Concessions, patents, licences		653	1308	929	1861
Total		20653	31308	29386	44547
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		382179	392100	543792	557908
2.Equipment and machinery		109695	132819	156082	188984
3.Other fixed assets		25166	33184	35808	47217
4.Fixed assets development costs		36827	28478	52400	40521
5.Prepayment for fixed assets					
II Total fixed assets		553867	586581	788082	834630
1.Total LONG TERM INVESTMENT		574520	617889	817468	879177
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		336303	312431	478516	444549
2.Work in progress		164685	157200	234326	223675
3.Finished goods and goods for sale		107802	106246	153388	151174
5.Advance payment for goods		21125	21077	30058	29990
I. Total inventories		629915	596954	896288	849388
II. Debtors					
1.Trade debtors		102873	138999	146375	197778
4.Other debtors	1	8145	7863	11589	11188
7.Deferred expenses		210	194	299	276
II. Total debtors		111228	147056	158263	209242
III. Securities and capital participation					
IV . Cash		59927	17432	85268	24804
2.Total current assets		801070	761442	1139820	1083434
Total assets		1375590	1379331	1957288	1962611

LIABILITIES 1	Note nr	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 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		220166	208542	313268	296729
current year profit		-13074	-10208	-18603	-14525
1Total Capital and reserves		1140833	1132075	1623259	1610798
2.PROVISIONS		23817	19246	33889	27384
3.CREDITORS					
1.Long term creditors					
Other loans	3	0	1171	0	1666
Amounts payable to associated companies	3	0	0	0	0
Deferred tax	3	50516	60278	71878	85768
Deferred income	3	0	0	0	0
1.Total long term creditors		50516	61449	71878	87434
2.Short-term creditors					
3. Other loans	4	0	6459	0	9190
4. Bank loan	5	31778	32315	45216	45980
5.Advances received from customers		4083	4060	5810	5777
6.Trade creditors		71228	54276	101348	77228
8.Amounts payable to associated companies	6	20156	21474	28679	30555
10.Taxes and social security payments	7	15017	25415	21367	36162
11.Other creditors	8	18162	18235	25842	25946
Deferred income		0	3727	0	5303
Deferred liabilities		0	600	0	854
2. Total short-term creditors		160424	166561	228262	236995
Total creditors		210940	228010	300140	324429
Total liabilities		1375590	1379331	1957288	1962611

1 EUR 31.03.2011 31.03.2012 0.702804

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

Aldis Ozols

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

Profit or loss account

31 March 2012

N.	Item	Note nr.	31.03.12	31.03.11.	31.03.12	31.03.11
			LVL	LVL	EUR	EUR
1	Net sales	1	366277	334550	521165	476022
2	Cost of sales	2	-343594	-306307	-488890	-435836
3	Gross profit		22683	28243	32275	40186
4	Distribution expenses	3	-5190	-7498	-7385	-10669
5	Administration expenses	4	-27353	-27884	-38920	-39675
6	Other operating income	5	3824	11499	5441	16361
7	Other operating expenses	6	-6711	-9029	-9549	-12847
8	Income from participation in subsidiary capital					
10	Income from other interest and similar incomes		0	4	0	6
11	Long term investments and short-terms bond write-off					
12	Interest paid and similar expense		-327	-598	-465	-851
13	Operating profit		-13074	-5263	-18603	-7489
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-13074	-5263	-18603	-7489
16	Corporate income tax					
17	Other taxes		0	-4945	0	-7036
18	19Net profit for the year		-13074	-10208	-18603	-14525

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

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 2012

(Cash flow statement, prepared using indirect method)

Indices	Appen ndici es	31.03.12	31.03.11	31.03.12	31.03.11
		LVL	LVL	EUR	EUR
2	1.	3.		5	
I. Operation activities					
I.					
1. Profit or loss before extraordinary items and taxes.		-13074	-5263	-18603	-7489
Corrections:		14788	17952	21042	25544
a) Wear and tear of fixed assets;		12376	13580	17609	19323
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;		2085	3778	2968	5376
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	-4	0	-6
h) Long-term financial investment and cancellation of value short-term securities					
i) Interest payments and similar expenses		327	598	465	851
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		1714	8911	2439	18055
Adjustments:		14950	-23037	21272	-32779
a) Increase or decrease of residues of debts of debtors;		23239	-18232	33066	-25942
b) Increase or decrease of residues of resources;		13097	-26576	18635	-37814
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-21386	21771	-30429	30977
3. The gross cash flow of basic activity.		16664	-14126	23711	-14724
4. Expenses for interest payments.		-327	-598	-465	-851
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		0	-4945	0	-7036
7. Cash flow before extraordinary items.		16337	-15891	23246	-22611
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		16337	-15891	23246	-22611

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		-3458	-473	-4920	-673
4. Proceeds from sales of fixed assets and nonmaterial investments.					
5. Granted loans					
6. Proceeds from repayment of loans					
7. Entered interests		0	4	0	6
8. Cash in deposit					
9. Received dividends					
9. Net cash flow used in investing activities		-3458	-469	-4920	-667
III. Financing activities					
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		23675	2592	33686	3688
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		23675	2592	33686	3688
IV. The result of exchange rate fluctuations of foreign currency.		-2085	-3778	-2967	-5376
V. The net cash flow of year of account		34469	-17546	49045	-24965
VI. The reminder of currency and its equivalents at the beginning of year of account.		25458	34978	36223	49769
VII. The reminder of currency and its equivalents at the end of year of account.		59927	17432	85268	24804

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

STATEMENT OF CHANGES IN EQUITY

31 March 2012

(LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2010 LVL	918144	15597		208542	1142283
Current year profit				11624	11624
Revaluation reserve dividend paid					
As of 31. December 2011 LVL	918144	15597		220166	1153907
dividend paid					
Current year profit				-13074	
Revaluation reserve					
As of 31 march 2012 LVL	918144	15597		207092	1140833

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

STATEMENT OF CHANGES IN EQUITY

31 March 2012

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2010	1306401	22193		296728	1625322
Current year profit				16540	16540
Revaluation reserve					
dividend paid					
As of 31 December 2011	1306401	22193		313268	1641862
dividend paid					
Current year profit				-18603	-18603
Revaluation reserve					
As of 31 March 2012	1306401	22193		294665	1623259

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, construction	2
Transmission equipment	5
Nonindustrial 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	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Overpayment of tax of enterprise	838	0	1192	0
Debtors of service	4407	6527	6271	9287
Other debtors	2900	1336	4126	1901
Total	8145	7863	11589	11188

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.

15.6% (143624equities) 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	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Privatization agency	0	1171	0	1666
Deferred tax	50516	60278	71878	85768
Deferred income	0	0	0	0
Total	50516	61449	71878	87434

4. Other borrowings (Short-term creditors)

Creditors	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Privatization agency	0	510	0	726
Others	0	5949	0	8464
Total	0	6459	0	9190

5. Borrowings from credit institutions.

Creditors	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
A/S DNB bank	31778	32315	45216	45980

6. Liabilities to associated Enterprises

Business partner	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
A/S "Kurzemes atslega"	20156	21474	28679	30555

7. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Income tax of inhabitants	4388	4648	6243	6614
Obligatory payments of the state social insurance	10462	11394	14886	16212
Other tax	167	9373	238	13336
Total	15017	25415	21367	36162

8. The rest of creditors.

Kind of creditors	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Wages for March	14917	16209	21225	23063
Other creditors	3245	2026	4617	2883
Total	18162	18235	25842	25946

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Incomings from production of locks and ironmongery	340638	312447	484684	444572
Incomings from sales of goods in shop	4273	4075	6080	5798
Incomings from rendering of services	5602	2150	7971	3059
Incomings from rendering of public facilities	15764	15878	22430	22592
Total:	366277	334550	521165	476022

2. Production costs of sales.

The main elements of expenses	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Material costs	203458	181481	289495	258224
Wages	68542	68266	97526	97134
Obligatory payments of the state social insurance	16317	16349	23217	23263
Electrical energy	14143	12186	20124	17339
Costs of depreciation of fixed	12376	13580	17609	19323
	10180	12163	14485	17306
The rest of expenses	16372	9634	23295	13708
Expenses in total	341388	313659	485751	446297
Correction of expenses				
Changes of remains of unfinished production	13713	-4048	19512	-5760
Changes of remains of self-made punches, molds and materials	-8065	-4260	-11475	-6061
Changes of remains of complete product	-3442	956	-4898	1360
Changes of remains self-made fixed assets	0	0	0	0
Total	343594	306307	488890	435836

3. Distribution expenses

The main elements of expenses	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Wages	2413	2308	3433	3284
Social expenses	443	548	631	780
Marketing Services	2334	4189	3321	5960
Expenditure on advertising	0	250	0	356
Other expenses	0	203	0	289
Total	5190	7498	7385	10669

4. Administration expenses.

The main elements of expenses	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Wages	21135	20968	30072	29834
Social expenses	4942	5001	7032	7116
Communication expenses	380	380	541	541
Cost for bank account services	420	363	598	517
Other expenses	476	1172	677	1667
Total	27353	27884	38920	39675

5. The rest of incomes for economic activity

Sort of revenue	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Sales of current assets	3780	11499	5378	16361
Other incomes	44	0	63	0
Total	3824	11499	5441	16361

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.12 LVL	31.03.11 LVL	31.03.12 EUR	31.03.11 EUR
Loss from increase in exchange rates fluctuations	2085	3778	2966	5376
First cost of sold current assets	2961	3258	4213	4636
Expenses for social sphere	1153	1032	1641	1468
Expenses, unrelated with economic activity, donations	512	35	729	50
Other expenses	0	926	0	1317
Heads of expenditure	6711	9029	9549	12847

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Andris Taurins

Aldis Ozols