

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**ANNUAL REPORT
2013
(AUDITED)**

FOR THE PERIOD
01 JANUARY 2013-
31 DECEMBER 2013

**Aizpute
2014**

Table on Contents

1. Information on enterprise	3
2.Report of Direction.	4
2.1.Statement of responsibility of direction	6
2.2.Profit and loss account	7
2.3.Financial statements	8
2.4.Cash flow statement	10
2.5.Statement of changes in equity	11
2.6. Appendices to the Financial statements	12

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	January 1, 2013– December 31, 2013
Members of Supervisory Council (from May 10.2010 resolution nr6-12/58076)	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 Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic Valdis Biķis – KURZEMES ATSLEGA 1", Member of Supervisory Council, Technical consultant Irena Burve - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Chief Accountant
Members of Supervisory Council (from June 17.2013 resolution nr6-12/73618/2)	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Valdis Biķis –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	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" . Commercial company license No. 160 Sworn auditor Edīte Sončika (LACA Certificate No 1)

Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” during 2013 has not changed in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. are still being produced and services of galvanization provided.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918 144 LVL, net turnover has reached 1 470 092 LVL, losses 28 272 LVL, losses per stock 0.03 LVL. Net turnover of 2013 compared with 2012 has reduced by 34 788 LVL, what makes 2.3% of turnover of the 2012. Export has increased by 6,1%. The main export markets are Lithuania, Uzbekistan, Belize.

Volume of sold production in 2013 divides as follows:

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

Volume of sold production in 2012 divides as follows:

- sold in local market (Latvia) – 55.8%,
- export – 44,2%

Average number of employees in 2013 was 105, average salary in 2013 was 306 LVL.

Average number of employees in 2012 was 105, average salary in 2012 was 300 LVL.

In comparison with corresponding period of previous period, average salary is up by 2%.

The Company has no tax and other arrears due to state and municipal budget.

Financial activity of the Company has provided mainly with its own assets, the loan facility in amount of 70000 EUR has been linked. Due to guarantee abatement to the loan facility of the LLC “Aizputes Atslegas”, registered mortgage (pledge right) in favor of the DNB Banka, has been cancelled.

On the basis of balance and other financial statement data, it may be concluded the total resource (asset) value in comparison with 2012 is up by 0.3%. Cash balance is increased by 10 396 LVL or 15,7% Liquidity ratios of the Company have been decreased. This is related to the attraction of external resources to ensure the continuous production process. In comparison with 2012 a short-term loan (credit

facility) balance has increased by 21 233 LVL, as well as advances received from customers has raised by 18 640 LVL at the end of 2013. Inventory turnover ratio has reduced by 0.06 percentage points. This is related to the relatively long production technology and the sustainment of necessary level of precourse to ensure continuous production.

In 2014 the company will continue to develop technological park, will provide market research with a view to diversify the production assortment, it is planned to develop and to put into production a new door lock to increase sales by 5%, as well as to optimize the use of production facilities.

During the period of the last day of the accounting year till signing these financial statements, there have been no events that could substantially affect the information reflected in these financial reports and that may result in further adjustments or should be clarified.

The board suggests to cover the losses by profit of the previous periods.

Board of JSC "KURZEMES ATSLEGA 1"

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

March 25, 2014

Statement of responsibility of direction.

Audited report of 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/losses.

Responsibility for audited annual report of year 2013 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenbergs
-----------------------	---------------------

Member of the Board	Voldemārs Magone
---------------------	------------------

Member of the Board	Aldis Ozols
---------------------	-------------

March 25, 2014

2.2.PROFIT AND LOSS ACCOUNT

Item	note	31.12.2013.	31.12.2013.	31.12.2012.	31.12.2012.
	Nr.	LVL	EUR	LVL	EUR
Net sales	1	1470093	2091754	1504881	2141253
Cost of sales	2	1329825	1892171	1362923	1939265
Gross profit		140268	199583	141958	201988
Distribution expenses	3	44113	62767	38717	55090
Administration expenses	4	127229	181030	120410	171328
Other operating income	5	19889	28299	40931	58240
Other operating expenses	6	14094	20054	19008	27046
Operating profit		-25279	-35969	4754	6764
Income from other interest and similar incomes		0	0	0	0
Interest paid and similar expense	7	701	997	1138	1619
Profit before tax		-25980	-36966	3616	5145
Deferred tax income		1371	1951	4288	6101
Other taxes		-3663	-5212	-4925	-7007
Enterprise income tax		0	0	-1191	-1695
Net profit for the year		-28272	-40227	1788	2544

The accompanying notes on pages 12.-30. are an integral part of these financial statements

Losses per stock 31.12.2013. 0.03 LVL , 0.04 EUR

Profit per stock 31.12.2012. 0.002 LVL , 0.003 EUR

2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
1.LONG TERM INVESTMENT					
1.Development expenses		0	0	10000	14229
2..Concessions, patents, licenses		0	0	326	464
Total	1	0	0	10326	14693
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		401401	571143	403098	573557
2.Equipment and machinery		110646	157435	111833	159124
3.Other fixed assets		14495	20624	17321	24645
4.Fixed assets development costs		0	0	0	0
II Total fixed assets	2	526542	749202	532252	757326
1.Total LONG TERM INVESTMENT		526542	749202	542578	772019
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		338127	481111	312592	444778
2.Work in progress		169686	241442	160103	227806
3.Finished goods and goods for sale		93189	132596	93588	133164
5.Advance payment for goods	3	47040	66931	60296	85793
I. Total inventories		648042	922080	626579	891541
II. Debtors					
1.Trade debtors	4	96197	136876	103603	147414
4.Other debtors	5	9065	12899	13362	19012
7.Deferred expenses	6	250	355	210	299
II. Total debtors		105512	150130	117175	166725
III. Securities and capital participation					
IV . Cash	7	76590	108978	66194	94186
2.Total current assets		830144	1181188	809948	1152452
Total assets		1356686	1930390	1352526	1924471

The accompanying notes on pages12.-30.are an integral part of these financial statements

LIABILITIES 1	Appendices	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
1.CAPITAL					
1.Share capital	8	918144	1306401	918144	1306401
3.Revaluation reserve	9	15597	22193	15597	22193
5.Retained profit					
a) previous years retained profit		221954	315812	220166	313268
current year profit		-28272	-40227	1788	2544
1Total Capital and reserves		1127423	1604179	1155695	1644406
2.PROVISIONS	10	23581	33552	21288	30290
Total PROVISIONS		23581	33552	21288	30290
3.CREDITORS					
1.Long term creditors					
Deferred tax	11	44856	63824	46227	65775
1.Total long term creditors		44856	63824	46227	65775
2.Short-term creditors					
4..Bank loan	12	21233	30212	0	0
5.Advances received from customers		33184	47217	14544	20695
6.Trade creditors		57275	81495	60200	85657
8.Amounts payable to associated companies	13	4706	6696	9660	13745
10.Taxes and social security payments	14	18116	25777	18183	25872
11.Other creditors	15	19601	27890	19233	27365
Accrued liabilities	16	6711	9548	7496	10666
2. Total short-term creditors		160826	228835	129316	184000
Total creditors		205682	292659	175543	249775
Total liabilities		1356686	1930390	1352526	1924471

31.12.2013.,31.12.2012 1 EUR=0.702804 LVL

The accompanying notes on pages 12.-30. are an integral part of these financial statements

2.3.Cash flow statement

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	31.12.13.	31.12.13.	31.12.12.	31.12.12
		LVL	EUR	LVL	EUR
2	1.			3.	4
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		-25980	-36966	3616	5145
Corrections:					
a) Wear and tear of fixed assets;		43682	62154	49649	70644
b) Value cancellation if long-term investments;		10326	14692	10326	14693
c) Formation of reserves (except the reserves for unreliable debt);		2293	3263	-2528	-3598
d) Profit or loss from fluctuation of foreign currency exchange rate;		503	716	3697	5260
e) Interest received		0	0	0	0
f) Proceeds from partnership in capital of subsidiary company and associated enterprises		695	989	1138	1619
g) Proceeds from no securities and loans, that have been made long-term investment		0	0	0	0
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		31519	44848	65898	93764
Adjustments:					
a) Increase or decrease of residues of debts of debtors;		12871	18314	17292	24604
b) Increase or decrease of residues of resources;		-21463	-30539	16433	23383
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		11468	16317	-20716	-29476
3. The gross cash flow of basic activity.		34395	48940	78907	112275
4. Expenses for payments of enterprise income tax		-2399	-3414	-1138	-1619
5. Expenses for fixed asset tax payments		-3663	-5212	-4925	-7008
6. The net cash flow of basic activity		28333	40314	72844	72844
II. Investing activities					
1. Purchase of shares or parts of related or associated enterprises.		-37972	-54029	-20308	-28896
3. Interest received		0	0	0	0
9. Net cash flow used in investing activities		-37972	-54029	-20308	-28896
III. Financing activities					
2. Loans received		21233	30212	0	0
3. Financial aids, pump-priming, presents or donations received					
4. Expenses for repayment of loans		-695	-989	-8103	-11530
7. Net cash flow of financing activity		20538	29223	-8103	-11530
IV. The result of exchange rate fluctuations of foreign currency.					
		-503	-716	-3697	-5260
V. The net cash flow of year of account					
		10396	14792	40736	57962
VI. The remainder of currency and its equivalents at the beginning of year of account.					
		66194	94186	25458	36223
VII. The remainder of currency and its equivalents at the end of year of account.					
		76590	108978	66194	94185

2.5 STATEMENT OF CHANGES IN EQUITY

Year 2013

(LVL)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2011 LVL	918144	15597	11624	208542	1153907
Current year profit (loss)	0	0	1788	0	1788
As of 31 December 2012 LVL	918144	15597	1788	220166	1155695
Correction for deferred tax	0	0	0	0	0
Year 2012 of account profit (loss)	0	0	-1788	1788	0
Current year loss	0	0	-28272	0	-28272
As of 31.december 2013 LVL	918144	15597	-28272	221954	1127423

(EUR)

	Share capital	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
AS of 31 December 2011 LVL	1306401	22193	16539	296729	1641862
Current year profit (loss)	0	0	2544	0	2544
As of 31 December 2012 LVL	1306401	22193	2544	313268	1644406
Correction for deferred tax	0	0	0	0	0
Year 2012 of account profit (loss)	0	0	-2544	2544	0
Current year loss	0	0	-40227	0	-40227
As of 31.december 2013 LVL	1306401	22193	-40227	315812	1604179

2.5. Appendices to the Financial statements 2013-2012

Accounting policy

The financial statements have been prepared in accordance with Latvian law "On Accounting" and the "Annual Accounts Law". Profit and losses are accounted in accordance with sales costs method. The cash flow statement is prepared using the indirect method

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.

Compared to the previous reporting period, accounting and valuation methods used by the Company have not been changed

	31.12.2013.	31.12.2012
USD	0.515	0.531
EUR	0.702804	0.702804
LTL	0.204	0.204

Usage of estimates

During preparation of financial statements Company's board has made a number of estimates and assumptions that affect residuals of separate items, included into balance and receipt and expenditure of the financial statement as well as possible amount of liabilities. Future events may affect mentioned estimates and assumptions. Any change of such estimates and assumptions impact on Company's performance is presented in financial statements when determinable.

Long-term and short-term items

Long-term items include amounts with the receipt, payment or write-off terms due more than one year after the end of the accounting year. The amounts received, paid or written-off during the year are shown in short-term items

Earning recognition and net turnover

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.

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

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

Fixed assets

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

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

Debts of debtors

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

Inventory.

16) 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

Cash and cash equivalents

For the cash flow purposes cash and cash equivalents consist of the remaining cash, current bank accounts and short-term deposits with a maturity of up to 90 days.

Accrued liabilities.

Accrued liabilities shall be clearly aware of the amount of liabilities to suppliers and contractors for the current year, goods or services for which the supply or purchase of the company's contract terms and conditions or other reasons the balance sheet date has not received a corresponding billing document. The commitment amount is calculated based on the relevant contract price and the actual receipt of good or services supporting documents.

Corporate income tax

Corporate income tax is calculated for the reporting year in accordance with regulatory requirements of the Republic of Latvia.

Deferred tax is calculated using the liability method on all temporary differences between assets and liabilities in the financial statements and its values for the tax calculation purposes. Deferred tax is calculated using the tax rates, that are in force at the date of the balance sheet, which are expected during the periods, when temporary differences smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transferred to subsequent tax periods. A deferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differences.

Provisions

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

Appendices for profit and loss account

1.Net sales

Modus operandi	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Incomings from production of locks and ironmongery	1410087	2006372	1444512	2055355
Incomings from rendering of services	60006	85381	60369	85898
Total:	1470093	2091753	1504881	2141253

No.	Name of the state	Selling		Selling	
		2013 (LVL)	2013 (EUR)	2012 (LVL)	2012 (EUR)
1.	Latvia	762.5	1084.9	840.3	1195.6
2.	Lithuania	250.1	355.7	279.7	398
3.	Uzbekistan	148.4	211.2	141.6	201.5
4.	Estonia	97.4	138.6	86.8	123.5
5.	Belize	141.6	201.5	69.3	98.6
6.	Russia	13.9	19.8	40.4	57.5
7.	Ukraine	23.6	33.6	21.4	30.5
8.	Germany	11.5	16.4	12.1	17.2
9.	Denmark	19.6	27.9	11.7	16.6
10.	Finland	1.5	2.1	1.6	2.3
	Total	1470.1	2091.7	1504.9	2141.3

2. Production costs of sales.

The main elements of expenses	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Material costs	799383	1137420	787449	1120439
Wages	278458	396210	274994	391281
Obligatory payments of the state social insurance	66252	94268	65272	92874
Electrical energy	72126	102626	68523	97499
Costs of depreciation of fixed	54009	76848	59975	85337
Wear of low value stock	13154	18716	13453	19142
Import duty	5388	7666	4569	6501
Received services	36598	52074	38604	54928
Environment protection expenses	7134	10151	7020	9989
The rest of expenses	47970	68255	37703	53647

3. Distribution expenses

The main elements of expenses	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Wages	9954	14164	9452	13449
Social expenses	2370	3372	2119	3015
The rest of expenses	518	736	340	484
Marketing Services	31271	44495	26806	38142
Total	44113	62767	38717	55090

4. Administration expenses.

The main elements of expenses	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Wages	96388	137147	91797	130615
Social expenses	22460	31958	21525	30627
The rest of expenses	7381	10502	6088	8663
Provisions	1000	1423	1000	1423
Total	127229	181030	120410	171328

5. The rest of incomes for economic activity

Sort of revenue	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Sales of current assets	19889	28299	38315	54517
The rest of incomes	0	0	2528	3598
Others income	0	0	88	125
Total	19889	28299	40931	58240

6. The rest of expenses for economic activity of enterprise.

	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Expenses for social sphere	688	978	1650	2348
Expenses, unrelated with economic activity, donations	873	1243	1430	2035
harm recompense	11888	16915	11817	16814
Other expenses	645	918	4111	5849
Total	14094	20054	19008	27046

7. Interest, interest cover

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012. LVL	31.12.2012. EUR
Interest	695	988	1068	1519
interest cover	6	9	70	100
Total	701	997	1138	1619

Appendices to balance sheet.

1. Intangible fixed assets. (LVL)

	Intangible fixed assets	Development expenses	Total
Purchases prices 31.12.2012	3956	50000	53956
Purchase	0	0	0
Disposed	0	0	0
Purchases prices 31.12.2013	3956	50000	53956
Deprecations.	3630	40000	43630
Calculated	326	10000	10326
Disposed	0	0	0
Deprecations. 31.12.2013	3956	50000	53956
Balance cost 31.12.2012	326	10000	10326
balance cost 31.12.2013	0	0	0

Intangible fixed assets. (EUR)

	Intangible fixed assets EUR	.Development expenses EUR	Total
Purchases prices 31.12.2012	5629	71143	76772
Purchase	0	0	0
Disposed	0	0	0
Purchases prices 31.12.2013	5629	71143	76772
Deprecations. 31.12.2012	4701 5165	42686 56915	47387 62080
calculated	464	14228	14692
Deprecations. 31.12.2013	5629	71143	73772
Balance cost 31.12.2012	464	14229	14693
balance cost 31.12.2013	0	0	0

2.1 Fixed assets (LVL)

	Land	Buildings	Technological equipment	The rest capital assets	origination of capital assets	Total
Purchase prices 31.12.2011	16814	657149	781738	89882	33369	1578952
To put into operation	0	28478	15857	8150	-33369	19116
Disposed	0	0	9582	2365	0	11947
Purchase prices 31.12.2012	16814	685627	788013	95667	0	1586121
To put into operation	0	8991	27800	1181	0	37972
Disposed	0	0	2385	404	0	2789
Purchase prices 31.12.2013.	16814	694618	813428	96444	0	1621304
Depreciation 31.12.2011	0	289303	651843	75021	0	1016167
Calculated	0	10040	33920	5689	0	49649
Disposed	0	0	9583	2364	0	44947
Depreciation 31.12.2012.	0	299343	676180	78346	0	1053869
Calculated	0	10688	28987	4007	0	43682
Disposed	0	0	2385	404	0	2789
Depreciation 31.12.2013.	0	310031	702782	81949	0	1094762
Balance sheet value 31.12.2012.	16814	386284	111833	17321	0	532252
Balance sheet value 31.12.2013.	16814	384587	110646	14495	0	526542

Fixed assets (EUR)

	Land	Buildings	Technological equipment	The rest capital assets	origination of capital assets	Total
Purchase prices 31.12.2011	23924	935039	1112313	127891	47480	2246646
To put into operation	0	40520	22562	11596	-47480	27200
Disposed	0	0	13634	3365	0	16999
Purchase prices 31.12.2012	23924	975560	1121241	136122	0	2256847
To put into operation	0	12793	39556	1680	0	54029
Disposed	0	0	3393	575	0	3968
Purchase prices 31.12.2013.	23924	988353	1157404	137227	0	2306908
Deprecation 31.12.2011	0	411641	927489	106745	0	1445875
Calculated	0	14286	48264	8095	0	70645
Disposed	0	0	13635	3364	0	16999
Deprecation 31.12.2012.	0	425927	962118	111476	0	1499521
Calculated	0	15208	41245	5701	0	62154
Disposed	0	0	3394	574	0	3968
Depreciation 31.12.2013.	0	441134	999969	116603	0	1557706
Balance sheet value 31.12.2012	23924	549633	159124	24645	0	757326
Balance sheet value 31.12.2013.	23924	547218	157435	20625	0	749202

2.2 Fixed asset liquidation

	31.12.2013 LVL	31.12.2013. EUR	31.12.20112 LVL	31.12.2012. EUR
Fixed asset acquisition value	2789	3968	11947	16999
Accumulated depreciation	2601	3701	11947	16999
Loss from liquidation of fixed assets	188	267	0	0

3.Cadastre value of the buildings

Property	Cadastre No.	Cadastre value LVL	Cadastre value EUR	Balance sheet value LVL	Balance sheet value EUR
Coal – woodchip place-shed	64050100122011	1664	2368	3807	5417
Joinery building	64050100122012	5899	8394	8022	11414
Lean -garage	64050100122008	6374	9069	5810	8267
Production building No.2	64050100122002	12743	18132	13517	19233
Engineering-technical building	64050100122003	5668	8065	1573	2238
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	30851	43897	18155	25832
Repair shop	64050100122006	17784	25304	11922	16963
Storehouse of electrolytic components	64050100122007	32160	45760	6839	9731
Boiler house	64050100122010	13174	18745	32912	46830
Aid post of factory	64050100122013	5756	8190	3094	4402
Warehouse	64020100122014	24951	35502	8154	11602
Warehouse	64050100122015	8175	11632	250	356
The main production building with compressor substation	64050100122016	121662	173109	208351	296458
Office building	64050100122017	23440	33352	8389	11936
Neutralization building	64050100122018	2282	3247	9169	13046
Gatehouse	64050100122019	234	333	0	0
Sawmill building	64050100122020	5401	7685	1808	2573
Transformer substation	64050100220021	1357	1931	1213	1726
Plot., Zingberga street 1, Aizpute 5621 m2	64050100008	3817	5431	3100	4411
Plot.,Kalvenes street 27,42694 m2 (93/100)	64050100122	11999	17073	13714	19513
Garage-outhouse	64050100122009	1681	2392	1715	2440
Total		337072	479610	361514	514388

3 Advance payment for goods.

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Diesel	232	330	399	568
Material	46808	66601	59897	85225
Total	47040	66931	60296	85793

4. Trade debtors

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Trade debtors accounting value	113707	161790	121549	172949
Provisions doubtful debt	17510	24914	17946	25535
Trade debtors net value	96197	136876	103603	147414

Change in provision for doubtful receivables

	Trade debtors (LVL)	Trade debtors (EUR)
Provisions 31.12.2012	17946	25536
Provisions decrease	436	622
provisions increase	0	0
Provisions 31.12.2013	17510	24914

5. Other debtors .

Item	31.12.13. LVL	31.12.13. EUR	31.12.12. LVL	31.12.12. EUR
The overpaid taxes	1208	1719	0	0
Personnel debts	0	0	176	250
Public utilities payment	3376	4804	4719	6715
Other debts	4481	6376	8467	12047
Total	9065	12899	13362	19012

6. Deferred expenses.

	31.12.13. LVL	31.12.13. EUR	31.12.12. LVL	31.12.12. EUR
subscription	250	355	210	299
Total	250	355	210	299

7. Money resources

	31.12.13. LVL	31.12.13. EUR	31.12.12. LVL	31.12.12. EUR
Money resources in cash department	61	87	695	989
Money resources in bank	76529	108891	65499	93197
Total	76590	108978	66194	94186

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

- in public returns 656356 ,or 71.5%
- in closed register 261788, or 28.5%

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

21.4% - (196414 equates) of share capital belongs to SCI AG, Usingen

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

9. Long-term investment revaluation reserve.

Item	Long-term investment revaluation reserve (LVL)	Long-term investment revaluation reserve (EUR)
Balance 31.12.2012	15597	22193
increase	0	0
decrease	0	0
Balance 31.12.2013	15597	22193

10. PROVISIONS

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Provisions for not used holiday	23581	33552	21288	30290
Total	23581	33552	21288	30290

11. Deferred tax liabilities

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Deferred tax liabilities	46227	65775	50516	71878
Incomes of reduction Deferred tax liabilities	1371	1951	4289	610`3
Total	44856	63824	46277	65775

12. Bank credit (short term)

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
AS DNB BANKA	21233	30212	0	0

For the guarantee of increase in a limit of the credit for AS DNB the commercial mortgage on resources in volume 68875 LVL is given out

13. Liabilities to associated (Enterprises short term)

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254	4706	6696	9660	13745

14. Movement taxes 2013. LVL

Kind of taxes	balance 31.12.2012. LVL	calculated 2013.g. LVL	paid s 2013.g, LVL	To direct for other taxes LVL	balance 31.12.2013. LVL
Obligatory payments of the state social insurance	11114	132870	132845	0	11139
Income tax of inhabitants	4846	57118	57093	0	4871
value added tax	775	62039	58622	2286	1906
real estate tax	0	3663	3663	0	0
Enterprise income tax	1191	0	2399	0	-1208
Tax to natural resources	229	637	694	0	172
Business risk fee	28	336	336	0	28
Total	18183	256663	255652	2286	16908

i.a.

Overpayment taxes 1208

Liability taxes 18116

Movement taxes 2013. EUR

Kind of taxes	balance 31.12.2012. LVL	calculated 2013.g. LVL	paid 2013, LVL	To direct for other taxes LVL	balance 31.12.2013. LVL
Obligatory payments of the state social insurance	15813	189057	189021	0	15849
Income tax of inhabitants	6895	81272	81236	0	6931
Value added tax	1103	88274	83412	3253	2712
real estate tax	0	5212	5212	0	0
Enterprise income tax	1695	0	3414	0	-1719
Tax to natural resources	326	906	987	0	245
Business risk fee	40	478	478	0	40
Total	25872	365199	363760	3253	24058

Int.al.:

Overpayment taxes 1719

Liability taxes 25777

15. The rest of creditors.

Kind of creditors	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Wages for December	16401	23336	15799	22480
harm recompense	1002	1425	986	1404
Deduction from wages	201	286	377	536
Other creditors	1997	2843	2071	2945
Total	19601	27890	19233	27365

16. Accrued liabilities.

Item	31.12.2013. LVL	31.12.2013. EUR	31.12.2012. LVL	31.12.2012. EUR
Expenses of audit of the year	500	711	1000	1423
JSC Latvenergo	5730	8154	5766	8204
Other	481	683	730	1039
Total	6711	9548	7496	10666

General notices.

	2013.LVL	2013.EUR	2012 LVL	2012 EUR
The average annual number of employees	105		105	
Personnel expenses Total	476570	678098	466810	664211
- wages	385354	548309	377476	537100
social insurance	91216	129789	89334	127111
- inter alia				
Production personnel				
- wages	278458	396210	274994	391281
social insurance	66252	94268	65272	92874
Total	344710	490478	340266	484155
The personnel of administration				
- wages	96388	137148	91797	130615
social insurance	22460	31958	21525	30627
Total	118848	169106	113322	161242
i.a. Compensation of board				
- compensation	8055	11461	8084	11502
- social insurance	1844	2624	1947	2770
Total	9899	14085	10031	14272
Compensation of Supervisory Council				
- compensation	6240	8879	6240	8879
- social insurance	1435	2042	1393	1982
Total	7675	10921	7633	10861
The personnel of sales				
- compensation	9954	14163	9452	13449
- social insurance	2370	3372	2119	3015
Total	12324	17535	11571	16464
The personal for social sphere				
- compensation	554	788	1233	1755
- social insurance	134	191	418	595
Total	688	979	1651	2350

18. Remuneration the Sworn Auditor

	2013 LVL	2013EUR	2012 LVL	2012EUR
SIA ‘‘ES AUDITS’’	1000	1423		
Sworn Auditor A.Rutkis			1000	1423

19. Transactions with associated persons

Name of the associated person	Materials purchased from associated person in 2013.LVL	Materials purchased from associated person in 2013.EUR	Services provided and goods sold to the associated company in 2013.LVL	Services provided and goods sold to the associated company in 2013 EUR
JSC ‘‘KURZEMES ATSLĒGA’’ Registration No. 40003123254	75810	107868	1318	1875
Among it				
Long-term debts to associated enterprise	0	0	0	0
Short-term debts to associated enterprise	75810	107868	1318	1875

20. Transactions with companies, registered in low-tax zone

Name of the related person	Exported goods 2013.LVL	Exported goods 2013.EUR
ORS TRADING LTD Beliza	141626	201516

21. Important events after the accounting period.

During the period after accounting report till its signing no significant events has occurred, what could influence the financial situation fixed in financial report of the enterprise

22. Financial risk management

To ensure financial risk management JSC "KURZEMES ATSLEGA 1" follows-up the liquidity, regularly controls the cash flow of the enterprise. Active work with collection of fiscal debts is being provided. Financial resources – credit is being attracted.

The Company's principal financial instruments comprise loans, finance leases, cash. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial Risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables and short-term and long-term borrowings. The Company is mainly exposed to foreign currency risk of USD.

Interest rate risk

The Company is exposed to the interest rate risk mainly through its short-term and long-term borrowings. The Company's policy is to ensure that the majority of its borrowings are at floating and constant rate.

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized.

23. Calculation of indices of the Financial results

Liquidity ratio.

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

$$\text{Total ratio of liquidity} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

Production of locks and hinges

$$\text{Year 2013}(830144:160826)=5.16$$

$$\text{Year 2012}(809948:129316)=6.26$$

$$\text{Quick ratio} = \frac{(\text{Cash} + \text{Marketable securities} + \text{Debtors})}{\text{Current Liabilities}}$$

$$\text{Year 2013}(76590+105512:160826)=1.13$$

$$\text{Year 2012}(66149+117175):129316=1.42$$

$$\text{Absolute liquidity ratio} = \frac{(\text{Cash} + \text{Marketable securities})}{\text{Current Liabilities}}$$

$$\text{Year 2013}(76590:160826)=0.48$$

$$\text{Year 2012}(66194:129619)=0.51$$

Liability ratio.

Calculation of liability or solvency ratios (ability to cover short-term or long-term liabilities):

$$\text{Liability ratio in balance} = \frac{\text{Current Liabilities}}{\text{Balance total}}$$

$$\text{Year 2013}(205682:1356686)=0.15$$

$$\text{Year 2012}(175543:1352526)=0.13$$

$$\text{Liability ratio to equity} = \frac{\text{Liabilities}}{\text{Equity}}$$

$$\text{Year 2013}(205682:1127423)=0.18$$

$$\text{Year 2012}(175543:1155695)=0.15$$

Equity ratio to total assets = $\frac{\text{Equity}}{\text{Assets}}$

Year 2013(1127423:1356686)=0.83

Year 2012(1155695:1352526)=0.85

Borrowed funds ratio = $\frac{\text{Borrowed funds}}{\text{Equity}}$

Year 2013(205682:1127423)=0.18

Year 2012(175543:1155695)=0.15

Activity ratio.

Stock Turnover ratio = $\frac{\text{Production Costs of sold products}}{\text{Average stock remainder}}$

Year 2013(1329825:637311)=2.09

Year 2012 (1362923:634795)=2.15

Profitability ratios.

Sales profitability (%)= $\frac{\text{Profit (or loss) of}}{\text{Net turnover}} * 100$

Year 2013(-28272x100:1470093)=-1.92

Year 2012(1788x100:1504881)=0.12%

Equity profitability (%)= $\frac{\text{Annual profit} * 100}{\text{Average annual equity}}$

Year 2013(-28272x100:1141559)=-2.47

Year 2012 (1788x100:1154801)=0.15%

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board Peteris Fridenbergs

Member of the Board Voldemārs Magone

Member of the Board Aldis Ozols

March 25, 2014