

**JOINT STOCK COMPANY**  
**“KURZEMES ATSLEGA 1”**  
**LV40003044007**

**Non-audited**  
**FINANCIAL REPORT**  
**31 March 2014**

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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	January 1, 2014– March 31, 2014
Members of Supervisory Council	<b>Guntars Stekjanis – Chairman of Supervisory Council</b> KURZEMES ATSLEGA 1", JSC, economist;  <b>Valdis Biķis –Member of Supervisory Council</b>  <b>Rolands Līvmanis-Member of Supervisory Council,</b>  <b>Ulrich Ardnt Schafer - Member of Supervisory Council,</b>  <b>Irena Burve – Member of Supervisory Council</b> "Kurzemes Atslega 1", Chief Accountant
Members of Board	<b>Voldemārs Magone – Member of Board,</b> "Kurzemes Atslega 1", JSC Technical director <b>Aldis Ozols , Member of Board,</b> "Kurzemes Atslega 1" JSC, production director
Chairman of Board	<b>Peteris Fridenbergs</b>
Auditor	SIA "ES Audits" Certified Auditor <b>Edīte Sončika,</b> Certificate Nr. 1

May 30 2014

Aizpute

**Statement of responsibility of direction.**

Non-audited report of first quarter 2014 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 2014 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

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Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Voldemārs Magone
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Member of the Board	Aldis Ozols
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## Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st quarter of 2014 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. Net turnover has reached 589 641 EUR in the 1st quarter of 2014 which is up by 121 079 EUR or 25.8% in comparison with the same period of the last year. The first quarter of 2014 has finalized with profit in amount of 9 303 EUR.

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

Volume of sold production divides as follows:

- sold in local market (Latvia) – 43.5 %,
- export – 56.5%

State	3 months of the 2014 EUR	%
Latvia	256749	43.5
Lithuania	110647	18.8
Uzbekistan	94768	16.1
Belize	58125	9.9
Estonia	38508	6.5
Russia	20036	3.4
Denmark	8600	1.4
Finland	2208	0.4
Total	589641	100

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

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

## BALANCE SHEET on 31 March 2014

ASSETS 1	Note nr	31.03.2014 EUR	31.03.2013 EUR
<b>1.LONG TERM INVESTMENT</b>			
1.Development costs		0	14229
2.Concesions, patents, licences		0	464
<b>Total</b>		<b>0</b>	<b>14693</b>
<b>I. Intangible fixed assets</b>			
<b>II. Fixed assets</b>			
1. Land, building.		567280	569775
2.Equipment and machinery		138549	138299
3.Other fixed assets		31128	34100
4.Fixed assets development costs		0	0
5.Prepayment for fixed assets			
<b>II Total fixed assets</b>		<b>736957</b>	<b>742174</b>
<b>1.Total LONG TERM INVESTMENT</b>		<b>736957</b>	<b>746867</b>
<b>2.CURRENT ASSETS</b>			
1.Inventories			
1.Raw materials		492907	474654
2. Work in progress		243878	235895
3.Finished goods and goods for sale		136675	191668
5.Advance payment for goods		29128	72252
<b>I. Total inventories</b>		<b>902588</b>	<b>974469</b>
<b>II. Debtors</b>			
1.Trade debtors		155378	175773
4.Other debtors	1	14645	19343
7.Deferred expenses		355	299
<b>II. Total debtors</b>		<b>170378</b>	<b>195415</b>
<b>III. Securities and capital participation</b>			
<b>IV . Cash</b>		<b>98482</b>	<b>62148</b>
<b>2.Total current assets</b>		<b>1171448</b>	<b>1232032</b>
<b>Total assets</b>		<b>1908405</b>	<b>1988899</b>

LIABILITIES 1	Note nr	31.03.2014 EUR	31.03.2013 EUR
1.CAPITAL			
1.Share capital	2	1306401	1306401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves			
4.Total reserves			
5.Retained profit			
a) previous years retained profit		275585	315812
current year profit		9303	-16953
1Total Capital and reserves		<b>1613482</b>	<b>1627453</b>
2.PROVISIONS		<b>33552</b>	<b>30290</b>
3.CREDITORS			
1.Long term creditors			
Other loans		0	0
.Amounts payable to associated companies		0	0
Deferred tax	3	63824	65775
Deferred income		0	0
1.Total long term creditors		<b>63824</b>	<b>65775</b>
2.Short-term creditors			
3. Other loans		0	0
4..Bank loan	4	0	23890
5.Advances received from customers		15911	57753
6.Trade creditors		102782	105058
8.Amounts payable to associated companies	5	8939	17349
10.Taxes and social security payments	6	30551	25671
11.Other creditors	7	29794	26468
Deferred income		0	0
Deferred liabilities		9570	9192
2. Total short-term creditors		<b>197547</b>	<b>265381</b>
Total creditors		<b>261371</b>	<b>331156</b>
Total liabilities		<b>1908405</b>	<b>1988899</b>

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Voldemārs Magone

Aldis Ozols

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

N.	Item	Note nr.	31.03.2014	31.03.2013
			EUR	EUR
1	Net sales	1	589641	468562
2	Cost of sales	2	-517034	-428934
3	Gross profit		72607	39628
4	Distribution expenses	3	-13010	-13489
5	Administration expenses	4	-42791	-44647
6	Other operating income	5	3614	6218
7	Other operating expenses	6	-5559	-4472
8	Income from participation in subsidiary capital			
10	Income from other interest and similar incomes		0	0
11	Long term investments and			
	short-terms bond write-off			
12	Interest paid and similar expense		-260	-191
13	Operating profit		14601	-16953
14	Extraordinary income			
15	Extraordinary expenses			
16	Profit before taxes		14601	-16953
16	Corporate income tax			
17	Other taxes		-5298	0
18	19Net profit for the year		<b>9303</b>	<b>-16953</b>

Profit per stock 31.03.2014 0.01 EUR

Losses per stock 31.03.2013 -0.02 EUR

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Voldemārs Magone

Aldis Ozols

## Cash flow statement 31 March 2014

(Cash flow statement, prepared using indirect method)

Indices	Appen- dices	31.03.2014	31.03.2013
		EUR	EUR
1	2.	3	4
<b>I. Operation activities</b>			
I.			
1. Profit or loss before extraordinary items and taxes.		14601	-16953
Correction		13508	12282
a) Wear and tear of fixed assets;		13774	15567
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;		-526	-3476
e) Proceeds from partnership in capital of subsidiary company and associated enterprises			
f) Proceeds from no securities and loans, that have been made long-term investment			
g) The rest of incomes and similar incomes		0	0
h) Long-term financial investment and cancellation of value short-term securities			
i) Interest payments and similar expenses		260	191
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		28109	-4671
Adjustments:		320	-54126
a) Increase or decrease of residues of debts of debtors;		-20248	-28689
b) Increase or decrease of residues of resources;		19492	-82928
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		1076	57491
3. The gross cash flow of basic activity.		28429	-58797
4. Expenses for interest payments.		-260	-191
5. Expenses for payments of enterprise income tax		-2152	0
6. Expenses for fixed asset tax payments		-5298	0
7. Cash flow before extraordinary items.		20719	-58988
8. Cash flow from extraordinary items.			
<b>8. The net cash flow of basic activity</b>		<b>20719</b>	<b>-58988</b>

1.	2.	3.	4
<b>II. Investing activities</b> 1. Purchase of shares or parts of related or associated enterprises. 3. Purchase of fixed assets and nonmaterial investments 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  <b>9. Net cash flow used in investing activities</b>			
		-1529	-415
		0	0
		<b>-1529</b>	<b>-415</b>
<b>III. Financing activities</b>			
1.	2.	2	4
1. Proceeds from issue of shares and bond or participation shares of capital investments. 2. Loans received  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  <b>7. Net cash flow of financing activity</b>		-30212	23890
		<b>-30212</b>	<b>23890</b>
<b>IV. The result of exchange rate fluctuations of foreign currency.</b>		526	3476
<b>V. The net cash flow of year of account</b>		<b>-10496</b>	<b>-32037</b>
<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>		108978	94185
<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>		98482	62148

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

STATEMENT OF CHANGES IN EQUITY  
 31 March 2014  
 (EUR)

	Share capital	Revaluation reserve	Retained profit	Prior period retained profit	Total
As of 31.December 2012	1306401	22193	2544	313268	1644406
Current year profit			-2544	2544	
Revaluation reserve					
As of 31.December 2013	1306401	22193	-40227	315812	1604179
Current year profit			40227	-40227	
Revaluation reserve					
Current year loss			9303		9303
As of 31 March 2014	1306401	22193	9303	275585	1613482

## Accounting policy

### I. General principles

Annual report items are evaluated according to the following principles:

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

	31.03.2014.
USD	1.3759
LTL	3.4528

- 10) compared to the previous reporting period, accounting and valuation methods used by the Company have not been changed

## II. Earning recognition and net turnover

11) Net turnover is the total value of finished production and goods for sale as well as services provided without discounts and VAT during the year.

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

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

## III. Fixed assets

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

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

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

## IV. Debts of debtors

15) The debts of debtors in the balance presented in net value, deducting special reserve for debts of doubtful and hopeless debtors from the initial cost. Special reserves for debts of doubtful and hopeless debtors are made, when the administration suggests that the retrieval of these specially marked debts of debtors is doubtful

## V. Financial leasing

16) Such fixed assets as vehicles and technological equipment that have been purchased on financial lease involving the take-over of the related risks, have been booked according to their non-lease sales price. Lease interest and similar payments have been included in the profit or loss account of the year they have come into existence.

## VI Inventory.

17) All values of raw are evaluated accordingly their purchasing prices. Production in progress is evaluated accordingly the standard production costs. The finished goods are evaluated accordingly standard production costs. For calculation of stock value the average weight method is used (FIFO method.) The valuation of inventories in financial accountancy is being done using continuous inventory method

## VII Provisions

18) Provisions for the liabilities have been made to cover the expenses of non-used holidays. These provisions for such liabilities have been represented according to their estimated value - as provisions for they are prospective by nature and they refer to the reporting year as well as to the previous years while the date of payment of such liabilities is not known at the time of reporting

### Information for the “Balance sheet”.

#### 1. Other debtors.

Kind of debtor	31.03.2014 EUR	31.03.2013 EUR
Debtors of service	5698	8022
The overpaid taxes	2151	0
Other debtors	6796	11321
<b>Total</b>	<b>14645</b>	<b>19343</b>

#### 2. The share capital consists of 918144 equities

- in public returns 656356 ,
- in closed register 261788.

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

21.4% (196414 equities) of share capital belongs to SCI AG

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

### 3. Other borrowings ( long term creditors)

<b>Creditors</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Deferred tax	63824	65775
<b>Total</b>	<b>63824</b>	<b>65775</b>

### 4. Borrowings from credit institutions.

<b>Creditors</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
A/S DNB bank	0	23890

### 5. Liabilities to associated Enterprises

<b>Business partner</b>	<b>31.03.2014 EUR</b>	<b>31.03.13 EUR</b>
A/S "Kurzemes atslega"	8939	17349

### 6. Taxes and Obligatory payments of the state social insurance

<b>Kind of taxes</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Income tax of inhabitants	6324	6344
Obligatory payments of the state social insurance	15604	15152
Other tax	8623	4175
<b>Total</b>	<b>30551</b>	<b>25671</b>

### 7. The rest of creditors.

<b>Kind of creditors</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Wages for March	25039	21669
Other creditors	4755	4799
<b>Total</b>	<b>29794</b>	<b>26468</b>

Information for the "Profit and loss account".

**1. Net sales**

<b>Modus operandi</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Incomings from production of locks and ironmongery	551177	426009
Incomings from sales of goods in shop	6390	6721
Incomings from rendering of services	12018	12766
Incomings from rendering of public facilities	20056	23066
<b>Total:</b>	<b>589641</b>	<b>468562</b>

**2. Production costs of sales.**

<b>The main elements of expenses</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Material costs	320563	301444
Wages	102572	96449
Obligatory payments of the state social insurance	23871	22972
Electrical energy	30462	28369
Costs of depreciation of fixed	13774	15567
Received services	12543	8647
The rest of expenses	25419	29121
<b>Expenses in total</b>	<b>529204</b>	<b>502569</b>
Correction of expenses		
Changes of remains of unfinished production	-2436	-8089
Changes of remains of self-made punches, molds and materials	-5654	-7042
Changes of remains of complete product	-4080	-58504
<b>Total</b>	<b>517034</b>	<b>428934</b>

**3. Distribution expenses**

<b>The main elements of expenses</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Wages	3686	3256
Social expenses	845	774
Marketing Services	8479	9338
Expenditure on advertising	0	121
<b>Total</b>	<b>13010</b>	<b>13489</b>

## 4. Administration expenses.

<b>The main elements of expenses</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Wages	32844	34475
Social expenses	7493	8076
Communication expenses	597	460
Cost for bank account services	397	818
Other expenses	1460	818
<b>Total</b>	<b>42791</b>	<b>44647</b>

## 5. The rest of incomes for economic activity

<b>Sort of revenue</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Sales of current assets	2884	2742
Profits from increase in exchange rates fluctuations	526	3476
Other incomes	204	0
<b>Total</b>	<b>3614</b>	<b>6218</b>

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

<b>Heads of expenditure</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
Harm recompense	4276	4207
Expenses for social sphere	263	265
Expenses, unrelated with economic activity, donations	154	0
Other expenses	866	0
<b>Total</b>	<b>5559</b>	<b>4472</b>

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Voldemārs Magone

Aldis Ozols