

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

**FINANCIAL REPORT FOR FIRST 6 MONTHS
OF THE YEAR 2014
(NON-AUDITED)**

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1.Information on enterprise.

State registration Nr. and date	000304400 February 1996. Dropped from Register of Companies 2004.11.06. "KURZEMES ATSLEGA 1" JSC, had been enrolled in Commercial Register June 1, 2004 with identification number Nr. 40003044007
Registration number of VAT	LV 40003044007, January 22, 1997
The name of enterprise and address	Joint stock company "KURZEMES ATSLEGA 1" Kalvenes street –27, Aizpute LV 3456, Latvia
NACE 2	25.72 Production of locks and ironware
Financial period	1 January 2014– 30 June 2014
Members of Supervisory Council	Guntars Stekjanis – Chairman of Supervisory Council „KURZEMES ATSLEGA 1”, JSC, economist; Valdis Biķis –Member of Supervisory Council Rolands Līvmanis-Member of Supervisory Council, Ulrich Arndt Schafer - Member of Supervisory Council, Irena Burve – Member of Supervisory Council „KURZEMES ATSLEGA 1”, Chief Accountant
Members of Board	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 Certified Auditor Edīte Sončika , Certificate Nr. 1

Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st half of the 2014 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

Net turnover has reached 1060032 EUR in the 1st quarter of 2014 what is up by 6% or 59563 EUR in comparison with the same period of the last year.

The first half-year of 2014 has finalized with profit in amount of 15003 EUR.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 49.4% or 523467 EUR
- export – 50.6% or 536565 EUR

Sales in Latvian market is up by 6827 EUR

Export has increased by 52735 EUR.

The company has no business deals with Ukraine during 1st half of the 2014. In 2013 production in amount of 33.6 thousand has been sold in Ukraine. EUR what made 1.6% from total sales.

States	30.06.2014 EUR	%	30.06.2013 EUR	%
Latvia	523467	49.4	516640	51.6
Lithuania	194500	18.3	170355	17.1
Uzbekistan	94768	8.9	129009	12.9
Estonia	79894	7.5	73417	7.3
Belize	127959	12.1	70085	7
Denmark	17200	1.6	19559	2
Russia	20036	1.9	11773	1.2
Finland	2208	0.2	2158	0.2
Ukraine	0	0	7473	0.7
Total	1060032	100	1000470	100

In the 1st half of the 2013 volume of sold production divided as follows:

- sold in local market (Latvia) – 51.6% or 516640 EUR
- export – 48.4% or 483829 EUR

Currently 104 employees are being engaged in enterprise.

Company has no tax arrears. Financial activity of the Company has provided mainly with its own assets, the loan facility in amount of 70000 EUR has been linked.

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

Aizpute ,August 29,2014

Statement of responsibility of direction.

Non-audited report of the first 6 months 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 the first 6 months 2014 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Aldis Ozols
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Member of the Board	Voldemārs Magone
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BALANCE SHEET FOR 6 MONTHS OF 2014

ASSETS 1	Row code	30.06.2014 EUR	30.06.2013 EUR
1.LONG TERM INVESTMENT			
1.Expenses of development		0	14229
2.Concessions, patents, licenses		0	464
Total		0	14693
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		563417	565993
2.Equipment and machinery		130347	128155
3.Other fixed assets		29438	32555
4.Fixed assets development costs		0	0
5.Prepayment for fixed assets			
II Total fixed assets		723202	726703
1.Total LONG TERM INVESTMENT		723202	741396
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		524553	467950
2.Work in progress		234115	260663
3.Finished goods and goods for sale		186966	136369
5.Advance payment for goods		29683	22964
I. Total inventories		975317	887946
II. Debtors			
1.Trade debtors		167340	156892
4.Other debtors		10394	12672
7.Deferred expenses		355	299
II. Total debtors		178089	169862
III. Securities and capital participation			
IV . Cash		51787	90093
2.Total current assets		1205193	1147902
Total assets		1928395	1889298

LIABILITIES 1	Row code	30.06.2014 EUR	30.06.2013 EUR
1.CAPITAL			
1.Share capital	1	1306401	1306401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves			
4.Total reserves			
5.Retained profit		290588	302027
a) previous years retained profit		275585	315812
b)current year profit		15003	13785
1Total Capital and reserves		1619182	1630621
2.PROVISIONS		33552	30290
3.CREDITORS			
1.Long term creditors			
Other loans			
.Amounts payable to associated companies			
Deferred tax		63824	65776
Deferred income		0	0
1.Total long term creditors		63824	65776
2.Short-term creditors			
3. Other loans		0	0
4..Bank loan	2	50606	9710
5.Advances received from customers		16021	8337
6.Trade creditors		78153	75853
8.Amounts payable to associated companies		3125	11776
10.Taxes and social security payments	3	29648	26555
11.Other creditors	4	27146	23227
Deferred income		0	0
Deferred liabilities		7138	7154
2.Total short-term creditors		211837	162612
3.Total creditors		275661	228387
Total liabilities		1928395	1889298

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

Profit and loss account

N.	Item	line No	30.06.2014	30.06.2013
			EUR	EUR
1	Net sales	1	1060032	1000470
2	Cost of sales	2	(929655)	(894505)
3	Gross profit or loss		130377	105964
4	Distribution expenses	3	(25716)	(32259)
5	Administration expenses	4	(84990)	(89156)
6	Other operating income	5	11637	14011
7	Other operating expenses	6	(10378)	(9279)
8	Interest paid and similar expense		(629)	(460)
9	Operating profit		20301	(11178)
10	Extraordinary income			
11	Extraordinary expenses			
12	Profit or loss before taxes		20301	(11178)
13	Corporate income tax			
14	Other taxes		(5298)	(2607)
15	Deferred tax			
16	Net profit or loss for the year		15003	(13785)

Profit per stock 30.06.2014 0.02EUR

Losses per stock 30.06.2013 0.02EUR

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

Voldemārs Magone

Cash flow statement

Indices	Appendices	30.06.2014	30.06.2013
		EUR	EUR
2	1.		
I. Operation activities			
1.			
1. Profit or loss before extraordinary items and taxes.		20301	(11178)
Corrections:		27044	29172
a) Wear and tear of fixed assets;		27529	31124
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;		(1114)	(2412)
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		629	460
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		47345	17994
Adjustments:		(118012)	(30640)
a) Increase or decrease of residues of debts of debtors;		(27383)	(3137)
b) Increase or decrease of residues of resources;		(53237)	3595
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		(37392)	(31098)
3. The gross cash flow of basic activity.		(70667)	(12646)
4. Expenses for interest payments.		(629)	(460)
5. Expenses for payments of enterprise income tax		(576)	
6. Expenses for fixed asset tax payments		(5298)	(2607)
7. Cash flow before extraordinary items.		(77170)	(15713)
8. Cash flow from extraordinary items.			
8. The net cash flow of basic activity		(77170)	(15713)

1.	2.	3.	5
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.			
3. Purchase of fixed assets and nonmaterial investments		(1529)	(501)
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		(1529)	(501)

III. Financing activities

1.	2.	3.	5
1. Proceeds from issue of shares and bond or participation shares of capital investments.			
2. Loans received		20394	9710
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		20394	9710

	IV. The result of exchange rate fluctuations of foreign currency.	1114	2412
	V. The net cash flow of year of account	(57191)	(4092)
	VI. The reminder of currency and its equivalents at the beginning of year of account.	108978	94185
	VII. The reminder of currency and its equivalents at the end of year of account.	51787	90093

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 6 MONTHS OF 2014
 (EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31.December 2012	1306401	22193		315812	1644406
Current year profit				(40227)	(40227)
Revaluation reserve					
dividend paid					
As of 31.December 2013	1306401	22193		275585	1604179
dividend paid					
Current year profit				15003	15003
Revaluation reserve					
As of 30 June 2014	1306401	22193		290588	1619182

Accounting policy

Annual report items are evaluated according to the following principles:

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

	30.06.2014	30.06.2013
USD	1.3658	1.3039
LTL	3.4528	3.4528

II. Earning recognition and net turnover

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

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

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

III. Fixed assets

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

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

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

IV. Debts of debtors

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

V. Financial leasing

15. 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.

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

VII Enterprise income tax

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

18. 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

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

1.Information for the ‘Balance sheet’.

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

- in public returns 656356 ,- 71.5%

- in closed register 261788.- 28.5%

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

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

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

2. Borrowings from credit institutions.

Creditors	30.06.2014 EUR	30.06.2013 EUR
A/S DNB BANKA	50606	9710

3. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.2014 EUR	30.06.2013 EUR
Income tax of inhabitants	6422	6148
Obligatory payments of the state social insurance	15468	14583
Other tax	7758	5824
Total	29648	26555

6. The rest of creditors.

Kind of creditors	30.06.2014 EUR	30.06.2013 EUR
Wages for June	22423	18581
Other creditors	4723	4646
Total	27146	23227

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.2014 EUR	30.06.2013 EUR
Incomings from production of locks and ironmongery	1013108	948730
Incomings from rendering of services	46924	51740
Total:	1060032	1000470

2. Production costs of sales.

The main elements of expenses	30.06.2014 EUR	30.06.2013 EUR
Material costs	582250	545802
Wages	204009	194306
Obligatory payments of the state social insurance	47515	46265
Electrical energy	54232	52248
Costs of depreciation of fixed	27529	31124
The rest of expenses	42558	45067
Import duty	4209	4977
Services received	27523	20987
Expenses in total	989825	940776
Correction of expenses		
Changes of remains of unfinished production	7327	(32857)
Changes of remains of self-made punches, molds and materials	(12967)	(10208)
Changes of remains of complete product	(54530)	(3206)
Total	929655	894505

3. Distribution expenses

The main elements of expenses	30.06.2014 EUR	30.06.2013 EUR
Wages	7423	6616
Social expenses	1717	1574
Marketing Services	16464	23860
The rest of expenses	112	209
Total	25716	32259

4. Administration expenses.

The main elements of expenses	30.06.2014 EUR	30.06.2013 EUR
Wages	66065	68749
Social expenses	15064	16086
Telecommunication service	1296	1210
Cash turnover expenses	866	1414
The rest of expenses	1699	1697
Total	84990	89156

5. The rest of incomes for economic activity

Sort of revenue	30.06.2014 EUR	30.06.2013 EUR
Sales of current assets	10233	11398
Incomes from exchange rate fluctuations	1114	2412
The rest of incomes	290	201
Total	11637	14011

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.2014 EUR	30.06.2013 EUR
Expenses for social sphere	499	461
Expenses, unrelated with economic activity, donations	8440	8415
Other	1439	403
Heads of expenditure	10378	9279

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

Voldemārs Magone