

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9MONTHS
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
Financial period	1 January 2014– 30 September 2014
Members of Supervisory Council (from June 06.2013)	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Valdis Bīķis –Member of Supervisory Council Rolands Līvmanis-Member of Supervisory Council, Ulrich Ardent Schafer - Member of Supervisory Council, Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant
Members of Board (from July 20,2012)	Voldemārs Magone – Member of Board, "Kurzemes Atslega 1", JSC, Technical director Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, Production director
Chairman of Board(from May 14, 2009)	Peteris Fridenbergs
Auditor	Certified Auditor Edite Sončika Certificate Nr. 1

Management report

JSC "KURZEMES ATLEGA 1" produces door locks, ironware, furniture fittings, forged products, production tools etc.

The fixed capital of the JSC "KURZEMES ATLEGA 1" is 1285402 EUR, net turnover has 1645925 EUR.

During the nine months of the 2014 net turnover is up by 116713 EUR or 7.6% in comparison with the same period of the 2013. Company's profit of the 9 months of 2014 is 23482 EUR. Net income per share is 0.026 EUR.

Volume of sold production divided as follows:

9 months of the 2014

- sold in local market (Latvia) – 47.5%,
- export – 52.5 %

9 months of the 2013

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

Export is raised by 0.6% during 9 months of the 2014.

States	9 months of the 2014 EUR	%	9 months of the 2013 EUR	%
Latvia	782362	47.5	735098	48.1
Lithuania	266348	16.2	261333	17.1
Uzbekistan	212048	12.9	188592	12.3
Estonia	118128	7.2	104292	6.8
Belize	185588	11.3	134295	8.8
Russia	30226	1.8	11773	0.8
Ukraine	0	0	33641	2.2
Other	51225	3.1	60188	3.9
Total	1645925	100	1529212	100

Number of employees in 9 months of the 2014 is 104, average wage 451 EUR. Number of employees in 9 months of 2013 was 104, average wage 437 EUR. Average salary is up by 3.2 % in comparison with corresponding period of previous year.

The market research continues with the aim to diversify the range of production. The work on new type of door lock is continuing.

Statement of responsibility of direction.

Non-audited report of the first 9 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 9 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	Voldemārs Magone
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Member of the Board	Aldis Ozols
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BALANCE SHEET FOR 9 MONTHS OF 2014

ASSETS 1	Row code	30.09.2014. EUR	30.09.2013. EUR
1.LONG TERM INVESTMENT			
1.Concessions, patents, licenses		0	464
2. Expenses of development		0	14229
Total		0	14693
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		559554	575005
2.Equipment and machinery		122161	164985
3.Other fixed assets		27844	22030
4.Fixed assets development costs		3770	0
5.Prepayment for fixed assets		0	0
II Total fixed assets		713329	762020
1.Total LONG TERM INVESTMENT		713329	776713
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		540008	489397
2.Work in progress		245979	243009
3.Finished goods and goods for sale		111648	158252
5.Advance payment for goods		45706	48197
I. Total inventories		943341	938855
II. Debtors			
1.Trade debtors	1	139001	205690
4.Other debtors		11847	9575
7.Deferred expenses		355	299
II. Total debtors		151203	215564
III. Securities and capital participation			
IV . Cash			
116831		116831	70877
2.Total current assets		1211375	1225296
Total assets		1924704	2002009

LIABILITIES 1	Row code	30.09.2014 EUR	30.09.2013. EUR
1.CAPITAL			
1.Share capital	2	1285402	1306401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves		20999	0
4.Total reserves			
5.Retained profit			
a) previous years retained profit		275585	315812
current year profit		23482	-4922
1Total Capital and reserves		1627661	1639484
2.PROVISIONS		33552	30290
3.CREDITORS			
1.Long term creditors			
Other loans		0	0
.Amounts payable to associated companies		0	0
Deferred tax	3	63824	65775
Deferred income			
1.Total long term creditors		63824	65775
2.Short-term creditors			
3. Other loans		0	0
4. Bank loan	4	0	20007
5.Advances received from customers		11919	70048
6.Trade creditors		117612	93346
8.Accounts payable to associated companies	5	10782	25186
10.Taxes and social security payments	6	22043	21438
11.Other creditors	7	29089	26897
Deferred income			
Deferred liabilities		8222	9538
2. Total short-term creditors		199667	266460
Total creditors		263491	332235
Total liabilities		1924704	2002009

4.Profit and loss account

N.	Item	line No	30.09.2014	30.09.2013.
			EUR	EUR
1	Net sales	1	1645925	1529212
2	Cost of sales	2	-1451194	-1346299
3	Gross profit		194731	182913
4	Distribution expenses	3	-41216	-50278
5	Administration expenses	4	-131165	-134877
6	Other operating income	5	22390	16317
7	Other operating expenses	6	-14766	-14466
8	Income from participation in subsidiary capital			
10	Income from other interest and similar incomes			
11	Long term investments and short-terms bond write-off			
12	Interest paid and similar expense		-1194	-622
13	Operating profit		28780	-1013
14	Extraordinary income			
15	Extraordinary expenses			
16	Profit before taxes		28780	-1013
16	Corporate income tax			
17	Other taxes		-5298	-3909
18	Net profit for the year		23482	-4922

Losses per stock 30.09.2013.- 0.005 EUR

Profit per stock 30.09.2014- 0.026EUR

5. Cash flow statement.

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.09.2014	30.09.2013
		EUR	EUR
2	1.	3	4
I. Operation activities			
I.			
1. Profit or loss before extraordinary items and taxes.		28780	-1013
Corrections:		36683	47949
a) Wear and tear of fixed assets;		41172	46635
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;		-5683	693
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		1194	622
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		65463	46936
Adjustments:		-20714	-33699
a) Increase or decrease of residues of debts of debtors;		-495	-48839
b) Increase or decrease of residues of resources;		-21261	-47313
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		1042	62453
3. The gross cash flow of basic activity.		44749	13237
4. Corporate income tax paid		-576	0
5. Real estate tax paid		-5298	-3909
6. The net cash flow of basic activity		38875	8708
8. The net cash flow of basic activity		38875	9327

1.	2.	3	4
			0
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.			
3. Purchase of fixed assets and nonmaterial investments		-5299	-51330
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		-5299	-51330
III. Financing activities			
			0
1. Proceeds from issue of shares and bond or participation shares of capital investments.			
2. Loans received		0	20007
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		-31406	-622
5. Expenses for redemption of hired fixed assets			
6. Dividends paid			
7. Changes of reserves			
7. Net cash flow of financing activity		-31406	22618
IV. The result of exchange rate fluctuations of foreign currency.			
		5683	-693
V. The net cash flow of year of account			
		7853	-23308
VI. The reminder of currency and its equivalents at the beginning of year of account.			
		108978	94186
VII. The reminder of currency and its equivalents at the end of year of account.			
		116831	70878

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

STATEMENT OF CHANGES IN EQUITY

FOR 9 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				23482	23482
Reserves	-20999		20999		
As of 30 September 2014	1285402	22193	20999	299067	1627661

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 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..
All foreign cash means at the end of the report period are evaluated accordingly the exchange rate of the Latvian bank on the last day of the report period.

II. Earning recognition and net turnover

5. Net turnover is the total value of finished production and goods for sale as well as services provided without discounts and VAT during the year.
6. Other earnings are recognised at the moment of their origin or at the moment when legal rights on such earnings arise.
- 6.1. Other interest receivable and similar income is income that is not directly from the economic activity.

III. Fixed assets

8. All fixed assets originally estimated at the purchase value, excluding depreciation
9. Depreciation are calculated linear, accordingly confirmed parameters, using the following rates determined by administration:

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

IV. Debts of debtors

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

V. Financial leasing

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

VI Inventory.

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

VII Enterprise income tax

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

15. The value of deferred taxation is being calculated according to liability method and it refers to all differences between the value of assets and the value of liabilities in financial reports and their value used for tax calculations. The tax rate used in differed taxation calculations is the one estimated for the period when the temporary differences are expected to level out. Temporary differences are due use to different depreciation rates for fixed assets as well as due to tax loss that is to be transferred to coming reporting years as well as due to provisions for the liabilities that have been made to cover the expenses of non-used vacations. Should the total deferred taxation value be included as asset in the balance sheet, it is to be included in financial report only if there is an estimated profit expected to which the temporary differences could be referred.

VII Provisions

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

Information for the ‘Balance sheet’.

1. Trade debtors.

	30.09.2014. EUR	30.09.2013. EUR
Trade debtors	163916	231226
Reserve for debts	24915	25536
Net Value trade debtors	139001	205690

2. The share capital consists of 918144 equities with nominal value 1.40 EUR.:

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

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

32.38% (297320 equities) of share capital belongs to Oliver Wiederhold

3. Other borrowings (long term creditors)

Creditors	30.09.2014. EUR	30.09.2013. EUR
Deferred tax	63824	65775
Deferred income	0	0
Total	63824	65775

4. Borrowings from credit institutions.

Creditors	30.09.2014. EUR	30.09.2013. EUR
A/S DNB bank	0	20007

5. Accounts payable to associated companies

Creditors	30.09.2014. EUR	30.09.2013. EUR
AS "Kurzemes atslēga"	10782	25186

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.2014. EUR	30.09.2013. EUR
Income tax of inhabitants	6972	6128
Obligatory payments of the state social insurance	13586	15090
Value added tax	0	0
Other tax	1485	220
Total	22043	21438

7. The rest of creditors.

Kind of creditors	30.09.2014. EUR	30.09.2013. EUR
Wages for September	24570	22238
Other creditors	4519	4659
Total	29089	26897

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.2014. EUR	30.09.2013 EUR
Incomings from production of locks and ironmongery	1556059	1440301
Incomings from sales of goods in shop	26656	28032
Incomings from rendering of services	40986	35287
Incomings from rendering of public facilities	22224	25592
Total:	1645925	1529212

2. Production costs of sales.

The main elements of expenses	30.09.2014. EUR	30.09.2013. EUR
Material costs	833792	837263
Wages	306433	295842
Obligatory payments of the state social insurance	71240	70399
Electrical energy	76106	75893
Costs of depreciation of fixed	41172	46635
Environment protection expenses	49694	7120
The rest of expenses	6477	47173
Wear of low value stock	9624	9966
Import duty	6640	6148
Services received	50358	38486
Expenses in total	1451536	1434925
Correction of expenses		
Changes of remains of unfinished production	-4537	-15203
Changes of remains self-made fixed assets	0	-32628
Changes of remains of self-made punches, molds and materials	-16593	-15706
Changes of remains of complete product	20788	-25089
Total	1451194	1346299

3. Distribution expenses

The main elements of expenses	30.09.2014. EUR	30.09.2013. EUR
Wages	11303	10753
Social expenses	2701	2559
Marketing services	26956	35627
The rest of expenses	256	1339
Total	41216	50278

4. Administration expenses.

The main elements of expenses	30.09.2014 EUR	30.09.2013. EUR
Wages	101082	102906
Social expenses	23048	24035
The rest of expenses	1897	1653
Telecommunication service	1852	2472
Cash turnover expenses	3286	3811
Total	131165	134877

5. The rest of incomes for economic activity

Sort of revenue	30.09.2014. EUR	30.09.2013 EUR
Sales of current assets	16417	16317
Sales of Fixed assets	5683	0
The rest of incomes	290	0
Total	22390	16317

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.2014. EUR	30.09.2013. EUR
Expenses for social sphere	404	783
Expenses, unrelated with economic activity, donations	1419	834
Harm recompense	12512	12622
Other expenses	431	227
Heads of expenditure	14766	14466

Chairman of Board:

Peteris Fridenbergis

Members of Board:

Voldemārs Magone

Aldis Ozols