

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9 MONTHS
OF THE YEAR 2011
(NON-AUDITED)**

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	8
5. Cash flow statement	9
6. Statement of changes in equity	11
7. Accounting policy	13
8. Information for the “Balance sheet”	15
9. Information for the ”Profit and loss account’	17

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 2011 – 30 September 2011
Members of Supervisory Council (from Mai 10 .2010)	<p>Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist;</p> <p>Modris Moisejs-Member of Supervisory Council, "Kurzemes Atslega 1" JSC, Manager of the Electroplating Shop, Technologic-Mechanic</p> <p>Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant</p> <p>Janis Valkašs - Member of Supervisory Council, "Kurzemes Atslega 1", JSC, Technologic - Mechanic</p> <p>Valdis Bīķis –Member of Supervisory Council, KURZEMES ATSLEGA 1", Technical consultant, Technologic-mechanic</p>
Members of Board (from May 14,2009)	<p>Andris Taurins – Member of Board, "Kurzemes Atslega 1", JSC, chief engineer, Technologic – Mechanic</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production manager, Technologic – Mechanic</p>
Chairman of Board(from May 14, 2009)	Peteris Fridenbergs
Auditor	Certified Auditor Aivars Rutkis , Certificate Nr. 18

3..Report of Direction

The activity type of Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the last 9 months of 2010 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 1186550 LVL.

Net turnover is up by 257.1 in comparison with the first nine month of the last year. Profit makes 12246 LVL as at September 30, 2010.

Volume of sold production is divided as follows:

- sold in local market (Latvia) – 63.9%
- export – 36.1%.

The average number of employees in first 9 months of the 2010 was 101, average wage 286 LVL. The average number of employees of the same period of 2011 was 107, average wage 293. The average salary this year is up by 14 % in comparison with last year.

Statement of responsibility of direction.

Non-audited report of the first 9 months 2011 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 2011 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	Andris Taurins
---------------------	----------------

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

BALANCE SHEET FOR 9 MONTHS OF 2011

ASSETS 1	Row code	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
1.LONG TERM INVESTMENT					
1.Concesions, patents, licenses		1308	1957	1860	2784
2. Expenses of development		30000	40000	42686	56915
Total		31308	41957	44547	59699
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		387140	383347	550851	545454
2.Equipment and machinery		124812	148804	177591	211729
3.Other fixed assets		30605	38483	43547	54756
4.Fixed assets development costs		28819	28478	41006	40521
5.Prepayment for fixed assets					
II Total fixed assets		571376	599112	812995	852460
1.Total LONG TERM INVESTMENT		602684	641069	857542	912159
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		314718	304415	447803	433144
2.Work in progress		142563	153267	202849	218079
3.Finished goods and goods for sale		90277	89375	128453	127169
5.Advance payment for goods		27016	24692	38440	35134
I. Total inventories		574574	571749	817545	813526
II. Debtors					
1.Trade debtors	1	164151	123472	233567	175685
4.Other debtors		3734	2150	5312	3059
7.Deferred expenses		0	60	0	85
II. Total debtors		167885	125682	238879	178829
III. Securities and capital participation					
IV . Cash		66751	15409	94978	21925
2.Total current assets		809210	712840	1151402	1014280
Total assets		1411894	1353909	2008944	1926439

1 EUR 30.09.2011.30.09.2010 0.702804

LIABILITIES 1	Row code	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. 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		208542	229445	296729	326471
current year profit		12246	-44265	17424	-62984
1Total Capital and reserves		1154529	1118921	1642747	1592081
2.PROVISIONS		19246	21944	27385	31223
3.CREDITORS					
1.Long term creditors					
Other loans	3	0	0	0	0
.Amounts payable to associated companies	3	0	0	0	0
Deferred tax	3	60278	54840	85769	78030
Deferred income	3	0	3727	0	5303
1.Total long term creditors		60278	58567	85769	83333
2.Short-term creditors					
3. Other loans	4	0	3672	0	5225
4..Bank loan	5	0	39460	0	56147
5.Advances received from customers		20798	4009	29593	5704
6.Trade creditors		96282	63073	136997	89745
8.Amounts payable to associated companies	6	18347	1490	26105	2120
10.Taxes and social security payments	7	19290	19610	27447	27903
11.Other creditors	8	18797	18108	26746	25765
Deferred income		3727	3728	5304	5304
Deferred liabilities		600	1327	853	1888
2. Total short-term creditors		177841	154477	253045	219801
Total creditors		238119	213044	338813	303134
Total liabilities		1411894	1353909	2008944	1926439

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

Profit or loss account
FOR 9 MONTHS 2011

N.	Item	line No	30.09.11.	30.09.10.	30.09.11.	30.09.10.
			LVL	LVL	EUR	EUR
1	Net sales	1	1186550	929492	1688308	1322548
2	Cost of sales	2	-1063993	-849665	-1513926	-1208964
3	Gross profit		122557	79827	174382	113584
4	Distribution expenses	3	-38606	-41594	-54931	-59183
5	Administration expenses	4	-84870	-80569	-120759	-114639
6	Other operating income	5	36154	19325	51443	27497
7	Other operating expenses	6	-16450	-15450	-23406	-21983
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		-1594	-1020	-2268	-1452
13	Operating profit		17191	-39481	24461	-56176
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		17191	-39481	24461	-56176
16	Corporate income tax					
17	Other taxes		-4945	-4784	-7036	-6807
18	19Net profit for the year		12246	-44265	17424	-62983

Losses per stock 30.09.2010. 0.05 LVL, 0.07 EUR

Profit per stock 30.09.2011. 0.01 LVL, 0.02EUR

The name of enterprise:

Joint-stock company "KURZEMES ATSLEGA 1"

Reg.No.:

40003044007

Address:

Kalvenes street 27, Aizpute, LV3456, Latvia

CASH FLOW STATEMENT FOR 9 MONTHS OF 2011

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	30.09.11.	30.09.10.	30.09.11.	30.09.10.
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		17191	-39481	24461	-56176
Corrections:		42688	44203	60739	62895
a) Wear and tear of fixed assets;		41094	43183	58471	61444
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;					
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		1594	1020	2268	1451
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		59879	4722	85200	6719
Adjustments:		28568	-18754	40649	-26685
a) Increase or decrease of residues of debts of debtors;		-39061	-13295	-55579	-18917
b) Increase or decrease of residues of resources;		-4196	-26899	-5970	-38274
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		71825	21440	102198	30506
3. The gross cash flow of basic activity.		88447	-14032	125849	-19966
4. Expenses for interest payments.		-1594	-1020	-2268	-1451
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-4945	-4784	-7036	-6807
7. Cash flow before extraordinary items.		81908	-19836	116545	-28244
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		81908	-19836	116545	-28224

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		-12782	-5429	-18187	-7725
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		-12782	-5429	-18187	-7725
III. Financing activities					
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		-37353	19263	-53149	27409
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		-37353	19263	-53149	27409
			0		0
			0		0
IV. The result of exchange rate fluctuations of foreign currency.		0	0	0	0
			0		0
V. The net cash flow of year of account		31773	-6002	45209	-8540
VI. The reminder of currency and its equivalents at the beginning of year of account.		34978	21411	49769	30465
VII. The reminder of currency and its equivalents at the end of year of account.		66751	15409	94978	21925

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

STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2011,
 (LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2009 LVL	918144	15597		229446	1163187
Current year profit				-20904	-20904
Revaluation reserve					
dividend paid					
As of 31.December 2010LVL	918144	15597		208542	1142283
dividend paid					
Current year profit				12246	12246
Revaluation reserve					
As of 30 September 2011LVL	918144	15597		220788	1154529

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

STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2011
 (EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2009	1306401	22193		376472	1655066
Current year profit				-29744	-29744
Revaluation reserve					
dividend paid					
As of 31.December 2010	1306401	22193		296728	1625322
dividend paid					
Current year profit				-17424	-17424
Revaluation reserve					
As of 30 September 2011	1306401	22193		314152	1642746

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 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.
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
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.

	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Trade debtors	162589	118176	231343	168149
Reserve for debts	5296	5296	7536	7536
Net Value trade debtors	167885	123472	238879	175685

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.

10.33 % (94808 equities)of share capital belongs to SCI AG,Usingen

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

3.Other borrowings (long term creditors)

Creditors	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Deferred tax	60278	54840	85768	78030
Deferred income	0	3727	0	5303
Total	60278	58567	85768	83333

4. Other borrowings (Short-term creditors)

Creditors	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
NORD LB/Lizings	0	306	0	435
Other creditors	0	3366	0	4789
Total	0	3672	0	5224

5. Borrowings from credit institutions.

Creditors	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
A/S NORD /LB Latvija	0	39460	0	56147

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Income tax of inhabitants	4378	4770	6229	6787
Obligatory payments of the state social insurance	10802	9901	15370	14088
Value added tax	2783	4009	3960	5705
Other tax	1327	930	1888	1323
Total	19290	19610	27447	27903

7. The rest of creditors.

Kind of creditors	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Wages for September	15492	14995	22043	21336
Other creditors	3305	3113	4703	4429
Total	18797	18108	26746	25765

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Incomings from production of locks and ironmongery	1143446	891641	1626977	1268691
Incomings from sales of goods in shop	16781	15745	23877	22403
Incomings from rendering of services	8800	4218	12521	6002
Incomings from rendering of public facilities	17523	17888	24933	25452
Total:	1186550	929492	1688308	1322548

2. Production costs of sales.

The main elements of expenses	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Material costs	618076	483512	879443	687976
Wages	207180	190809	294791	271496
Obligatory payments of the state social insurance	49562	45638	70520	64937
Electrical energy	42217	38463	60069	54728
Costs of depreciation of fixed	41093	43183	58470	61444
The rest of expenses	87951	58088	125143	82652
Expenses in total	1046079	859693	1488436	1223233
Correction of expenses				
Changes of remains of unfinished production	10558	-1528	15023	-2174
Changes of remains of self-made punches, molds and materials	-9570	-15213	-13617	-21646
Changes of remains of complete product	16926	6713	24084	9551
Total	1063993	849665	1513926	1208964

3. Distribution expenses

The main elements of expenses	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Wages	7522	6639	10703	9446
Social expenses	1788	1573	2544	2238
Marketing services	28613	25597	40713	36422
The rest of expenses	683	7785	971	11077
Total	38606	41594	54931	59183

4. Administration expenses.

The main elements of expenses	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Wages	63993	59931	91054	85274
Social expenses	15254	14000	21704	19920
The rest of expenses	5623	6638	8001	9445
Total	84870	80569	120759	114639

5. The rest of incomes for economic activity

Sort of revenue	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Sales of current assets	33750	9008	48022	12817
Sales of Fixed assets	0	0	0	0
The rest of incomes	2404	10317	3421	14680
Total	36154	19325	51443	27497

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.11. LVL	30.09.10. LVL	30.09.11. EUR	30.09.10. EUR
Expenses for social sphere	9330	10699	13275	15223
Expenses, unrelated with economic activity, donations	7120	4751	10131	6760
Heads of expenditure	16450	15450	23406	21983

Chairman of Board:

Peteris Fridenbergs

Members of Board:

Andris Tauriņš

Aldis Ozols

