

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9 MONTHS
OF THE YEAR 2012
(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 2012– 30 September 2012
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 Biķis –Member of Supervisory Council, KURZEMES ATSLEGA 1"</p>
Members of Board (from July 20,2012)	<p>Voldemārs Magone – Member of Board, "Kurzemes Atslega 1", JSC, Technical director</p> <p>Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, Production director</p>
Chairman of Board(from May 14, 2009)	Peteris Fridenbergs
Auditor	Certified Auditor Aivars Rutkis , Certificate Nr. 18

3. Report of Direction

Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the last 9 months of 2012 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. are being produced.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 918144 LVL, net turnover has reached 1086059 LVL.

Net turnover for the nine months of 2012 compared with the first nine months of the 2011 is decreased by 100491 LVL. Demand for building constructions has reduced. Losses are up by 30975 LVL on September 30, 2012. Losses are associated with the decrease of net sales and cost increase of energy and raw materials, as well as the USD exchange rate fluctuations.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 55.4 %,
- export – 44.6 %

State	LVL	%
Latvia	602192	55.4
Lithuania	206266	19
Uzbekistan	110905	10.2
Estonia	63805	5.9
Belize	36529	3.4
Russia	25392	2.3
Ukraine	21410	2
Germany	12112	1.1
Denmark	5833	0.5
Finland	1615	0.2
Total	1086059	100

Number of employees in 9 months of 2012 was 104, average wage 297 LVL. 107 employees, average salary 293 LVL during 9 months of the last year. In comparison with corresponding period of previous period, average salary is up by 1.4%.

The company continues to work on attracting new customers.

Liquidity ratio.

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

Total ratio of liquidity 5.5

Quick ratio 1.31

Absolute liquidity ratio 0.25

Liability ratio.

Liability ratio in balance 0.14

Liability ratio to equity 0.17

Equity ratio to total assets 0.84

Borrowed funds ratio 0.17

Activity ratio 1.63

Profitability ratios:

Sales profitability (%) -2.85

Equity profitability (%) -2.72

Statement of responsibility of direction.

Non-audited report of the first 9 months 2012 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 2012 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 2012

ASSETS 1	Row code	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
1.LONG TERM INVESTMENT					
1.Concesions, patents, licenses		653	1308	929	1861
2. Expenses of development		20000	30000	28458	42686
Total		20653	31308	29387	44547
I. Intangible fixed assets					
II. Fixed assets					
1. Land, building.		377218	387140	536733	550851
2.Equipment and machinery		96108	124812	136749	177591
3.Other fixed assets		24684	30605	35122	43547
4.Fixed assets development costs		38620	28819	54951	41006
5.Prepayment for fixed assets					
II Total fixed assets		536630	571376	763555	812995
1.Total LONG TERM INVESTMENT		557283	602684	792942	857542
2.CURRENT ASSETS					
1.Inventories					
1.Raw materials		308372	314718	438774	447803
2.Work in progress		163332	142563	232401	202849
3.Finished goods and goods for sale		94427	90277	134357	128453
5.Advance payment for goods		29600	27016	42117	38440
I. Total inventories		595731	574574	847649	817545
II. Debtors					
1.Trade debtors	1	143907	164151	204761	233567
4.Other debtors		7564	3734	10763	5312
7.Deferred expenses		210	0	299	0
II. Total debtors		151681	167885	215823	238879
III. Securities and capital participation					
IV . Cash		35029	66751	49842	94978
2.Total current assets		782441	809210	1113314	1151402
Total assets		1339724	1411894	1906256	2008944

1 EUR 30.09.2012.30.09.2011 0.702804

LIABILITIES 1	Row code	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. 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		220166	208542	313268	296729
current year profit		-30976	12246	-44073	17424
1Total Capital and reserves		1122932	1154529	1597789	1642747
2.PROVISIONS		23817	19246	33889	27385
3.CREDITORS					
1.Long term creditors					
Other loans		0	0	0	0
.Amounts payable to associated companies		0	0	0	0
Deferred tax	3	50516	60278	71878	85769
Deferred income		0	0	0	0
1.Total long term creditors		50516	60278	71878	85769
2.Short-term creditors					
3. Other loans		0	0	0	0
4..Bank loan	4	2851	0	4057	0
5.Advances received from customers		7987	20798	11364	29593
6.Trade creditors		72486	96282	103138	136997
8.Amounts payable to associated companies	5	17367	18347	24711	26105
10.Taxes and social security payments	6	19519	19290	27773	27447
11.Other creditors	7	17256	18797	24553	26746
Deferred income		0	3727	0	5304
Deferred liabilities		4993	600	7104	853
2. Total short-term creditors		142459	177841	202700	253045
Total creditors		192975	238119	274578	338813
Total liabilities		1339724	1411894	1906256	2008944

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

Profit or loss account
FOR 9 MONTHS 2012

N.	Item	line No	30.09.12.	30.09.11.	30.09.12.	30.09.11.
			LVL	LVL	EUR	EUR
1	Net sales	1	1086059	1186550	1545323	1688308
2	Cost of sales	2	-1010390	-1063993	-1437655	-1513926
3	Gross profit		75669	122557	107668	174382
4	Distribution expenses	3	-23710	-38606	-33736	-54931
5	Administration expenses	4	-86899	-84870	-123646	-120759
6	Other operating income	5	23101	36154	32869	51443
7	Other operating expenses	6	-13269	-16450	-18880	-23406
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		-942	-1594	-1340	-2268
13	Operating profit		-26050	17191	-37065	24461
14	Extraordinary income					
15	Extraordinary expenses					
16	Profit before taxes		-26050	17191	-37065	24461
16	Corporate income tax					
17	Other taxes		-4925	-4945	-7008	-7037
18	19Net profit for the year		-30975	12246	-44073	17424

Losses per stock 30.09.2012. 0.03 LVL, 0.048 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 2012

(Cash flow statement, prepared using indirect method)

Indices	Appen dices	30.09.12.	30.09.11.	30.09.12.	30.09.11.
		LVL	LVL	EUR	EUR
2	1.	3.	4	5	6
I. Operation activities					
1. Profit or loss before extraordinary items and taxes.		-26050	17191	-37065	24461
Corrections:		40192	42688	57188	59685
a) Wear and tear of fixed assets;		37144	41094	52851	58471
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;		2106	-741	2997	-1054
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		942	1594	1340	2268
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		14142	59879	20123	84146
Adjustments:		19643	28568	27949	40649
a) Increase or decrease of residues of debts of debtors;		-17214	-39061	-24493	-55779
b) Increase or decrease of residues of resources;		47281	-4196	67274	-5970
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-10424	71825	-14832	102198
3. The gross cash flow of basic activity.		333785	88447	48072	124795
4. Expenses for interest payments.		-942	-1594	-1340	-2268
5. Expenses for payments of enterprise income tax					
6. Expenses for fixed asset tax payments		-4925	-4945	-7008	-7036
7. Cash flow before extraordinary items.		27918	81908	39724	115491
8. Cash flow from extraordinary items.					
8. The net cash flow of basic activity		27918	81908	39724	115491

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		-10989	-12782	-15636	-18187
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		-10989	-12782	-15636	-18187
III. Financing activities					

1.	2.	3.	4	5	8
			0		0
1. Proceeds from issue of shares and bond or participation shares of capital investments.					
2. Loans received		-5252	-37353	-7473	-53149
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		-5252	-37353	-7473	-53149
			0		0
			0		0
IV. The result of exchange rate fluctuations of foreign currency.		-2106	741	-2997	1054
			0		0
V. The net cash flow of year of account		9571	31773	13618	45209
VI. The reminder of currency and its equivalents at the beginning of year of account.		25458	34978	36223	49769
VII. The reminder of currency and its equivalents at the end of year of account.		35029	66751	49841	94978

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

STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2012,
 (LVL)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2010 LVL	918144	15597		208542	1142283
Current year profit				11624	11624
Revaluation reserve dividend paid					
As of 31.December 2011LVL	918144	15597		220166	1153907
dividend paid					
Current year profit				-30975	-30975
Revaluation reserve					
As of 30 September 2012LVL	918144	15597		189191	1122932

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 9 MONTHS OF 2012
 (EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31 December 2010	1306401	22193		296728	1625322
Current year profit				16539	16539
Revaluation reserve dividend paid					
As of 31.December 2011	1306401	22193		313267	1641861
dividend paid					
Current year profit				-44073	-44073
Revaluation reserve					
As of 30 September 2012	1306401	22193		269194	1597788

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.

	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Trade debtors	161732	169447	230124	241102
Reserve for debts	17825	5296	25363	7535
Net Value trade debtors	143907	164151	204761	233567

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.

15.6 % (143624 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	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Deferred tax	50516	60278	71878	85768
Deferred income	0	0	0	0
Total	50516	60278	71878	85768

4. Borrowings from credit institutions.

Creditors	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
A/S DNB bank	2581	0	4057	0

5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Income tax of inhabitants	4336	4378	6169	6229
Obligatory payments of the state social insurance	10011	10802	14244	15370
Value added tax	3847	2783	5474	3960
Other tax	1325	1327	1886	1888
Total	19519	19290	27773	27447

6. The rest of creditors.

Kind of creditors	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Wages for September	13833	15492	19683	22043
Other creditors	3423	3305	4870	4703
Total	17256	18797	24553	26746

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Incomings from production of locks and ironmongery	1030344	1143446	1466047	1626977
Incomings from sales of goods in shop	17669	16781	25141	23877
Incomings from rendering of services	21009	8800	29893	12521
Incomings from rendering of public facilities	17037	17523	24242	24933
Total:	1086059	1186550	1545323	1688308

2. Production costs of sales.

The main elements of expenses	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Material costs	586023	618076	833835	879443
Wages	203626	207180	289734	294791
Obligatory payments of the state social insurance	48486	49562	68989	70520
Electrical energy	49615	42217	70596	60069
Costs of depreciation of fixed	37144	41093	52851	58470
The rest of expenses	42937	47716	61094	67894
Import duty	3623	3036	5155	4320
Services received	30411	37199	43271	52929
Expenses in total	1001865	1046079	1425525	1488436
Correction of expenses				
Changes of remains of unfinished production	15067	10558	21438	15023
Changes of remains of self-made punches, molds and materials	-16475	-9570	-23442	-13617
Changes of remains of complete product	9933	16926	14134	24084
Total	1010390	1063993	1437655	1513926

3. Distribution expenses

The main elements of expenses	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Wages	7116	7522	10125	10703
Social expenses	1564	1788	2225	2544
Marketing services	14778	28613	21027	40713
The rest of expenses	252	683	359	971
Total	23710	38606	33736	54931

4. Administration expenses.

The main elements of expenses	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Wages	66701	63993	94907	91054
Social expenses	15625	15254	22232	21704
The rest of expenses	1374	1320	1955	1878
Telecommunication service	1452	1444	2066	2055
Cash turnover expenses	1747	2859	2486	4038
Total	86899	84870	123646	120759

5. The rest of incomes for economic activity

Sort of revenue	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Sales of current assets	18218	33750	25922	48022
Sales of Fixed assets	0	0	0	0
The rest of incomes	4883	2404	6948	3421
Total	23101	36154	32870	51443

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.12. LVL	30.09.11. LVL	30.09.12. EUR	30.09.11. EUR
Expenses for social sphere	1467	9330	2087	13275
Expenses, unrelated with economic activity, donations	2140	3651	3045	10131
Harm recompense	8860	9274	12607	13157
Other expenses	802	333	1141	474
Heads of expenditure	13269	16450	18880	23406

Chairman of Board:

Peteris Fridenbergs

Members of Board:

Voldemārs Magone

Aldis Ozols