

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**ANNUAL REPORT
2014
(UNAUDITED)**

FOR THE PERIOD
01 JANUARY 2014-
31 DECEMBER 2014

**Aizpute
2015**

Table on Contents

| | |
|---|-----------|
| 1. Information on enterprise | 3 |
| 2.Report of Direction. | 4 |
| 2.1.Statement of responsibility of direction | 6 |
| 2.2.Profit and loss account | 7 |
| 2.3.Financial statements | 8 |
| 2.4.Cash flow statement | 10 |
| 2.5.Statement of changes in equity | 11 |
| 2.6. Appendices to the Financial statements | 12 |

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 | January 1, 2014– December 31, 2014 |
| Members of Supervisory Council (from June 17.2013 resolution nr6-12/73618/2) | Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Valdis Biķis –Member of Supervisory Council Rolands Līvmanis-Member of Supervisory Council, Ulrich Ardnt 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" .Commercial company license No. 160 Sworn auditor Edīte Sončika (LACA Certificate No 1) |

Managerial report

The action type of the Joint Stock Company "KURZEMES ATSLEGA 1" during 2014 has not changed in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, building structures, production tools etc. are still being produced and services of galvanization provided.

The fixed capital of the JSC "KURZEMES ATSLEGA 1" is 1 285 401 EUR. In 2014 net turnover reached 2 063 075 EUR, profit 20669 EUR, profit per share 0.02 EUR.

Net turnover of 2014 compared with 2013 has reduced by 28 679 EUR, what makes 1.4% of turnover of the 2013. Export has reduced by 0.3%. The main export markets are Lithuania, Uzbekistan, Belize.

Volume of sold production in 2014 divides as follows:

- sold in local market (Latvia) – 51.4%,
- exported - 48.6%

Volume of sold production in 2013 divides as follows:

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

Average number of employees in 2014 was 103, average salary – 437 EUR, average number of employees in 2013 was 105, average salary 435 EUR. In comparison with corresponding period of previous period, average salary is up by 0.5%. The Company has no tax and other arrears due to state and municipal budget.

New lock production was implemented in 2014.

Financial activity of the Company has provided mainly with its own assets, the loan facility in limit of 70000 EUR has been linked. In comparison with 2013, short-term credit (line of credit) balance has reduced by 9345 EUR in the end of 2014.

On the basis of balance and other financial statement data, it may be concluded the total resource (asset) value in comparison with 2013 is reduced by 1.2%. Liquidity ratios of the Company have been decreased. Inventory turnover ratio has reduced by 0,2 percentage points. This is related to the relatively long production technology and the sustained of necessary level of precursory to ensure continuous production.

The Company does not plan to increase the production volume for door locks and ironware during 2015. More attention will be paid to cooperation with leading construction companies with the aim to master the production of new building structures.

The Board suggest to shift the profit for a further development of the company.

Board of JSC "KURZEMES ATSLEGA 1"

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

February 27, 2015

2.1. Statement of responsibility of direction.

Audited report of 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/losses.

Responsibility for audited annual report of year 2014 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 | Voldemārs Magone |
|---------------------|------------------|

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

February 27, 2015

2.2 PROFIT AND LOSS ACCOUNT

| Item | note | 31.12.2014. | 31.12.2013. |
|--|------|---------------|---------------|
| | Nr. | EUR | EUR |
| Net sales | 1 | 2063075 | 2091754 |
| Cost of sales | 2 | 1817786 | 1892171 |
| Gross profit | | 245289 | 199583 |
| Distribution expenses | 3 | 52821 | 62767 |
| Administration expenses | 4 | 177331 | 181030 |
| Other operating income | 5 | 39449 | 28299 |
| Other operating expenses | 6 | 22856 | 20054 |
| Operating profit | | 31730 | -35969 |
| Income from other interest and similar incomes | | 0 | 0 |
| Interest paid and similar expense | 7 | 1406 | 997 |
| Profit before tax | | 30324 | -36966 |
| Deferred tax income | | 1124 | 1951 |
| Other taxes | | -5304 | -5212 |
| Enterprise income tax | | -5445 | 0 |
| Net profit for the year | | 20669 | -40227 |
| | | | |

The accompanying notes on pages 12.-29. are an integral part of these financial statements

Profit per stock 31.12.2014. 0.02 EUR

Losses per stock 31.12.2013. 0.04 EUR

2.1.BALANCE SHEET

| ASSETS 1 | Appendices | 31.12.2014. EUR | 31.12.2013. EUR |
|--|------------|--------------------|--------------------|
| I. Fixed assets | | | |
| 1. Land, building. | | 555691 | 571143 |
| 2.Equipment and machinery | | 124656 | 157435 |
| 3.Other fixed assets | | 15685 | 20624 |
| 4.Fixed assets development costs | | 6732 | 0 |
| I Total fixed assets | 1 | 702764 | 749202 |
| 1.Total LONG TERM INVESTMENT | | 702764 | 749202 |
| 2.CURRENT ASSETS | | | |
| 1.Inventories | | | |
| 1.Raw materials | | 511228 | 481111 |
| 2.Work in progress | | 290078 | 241442 |
| 3.Finished goods and goods for sale | | 151310 | 132596 |
| 5.Advance payment for goods | 2 | 48785 | 66931 |
| I. Total inventories | | 1001401 | 922080 |
| II. Debtors | | | |
| 1.Trade debtors | 3 | 152150 | 136876 |
| 4.Other debtors | 4 | 34409 | 12899 |
| 7.Deferred expenses | 5 | 81 | 355 |
| II. Total debtors | | 186640 | 150130 |
| III. Securities and capital participation | | | |
| IV . Cash | 6 | 15566 | 108978 |
| 2.Total current assets | | 1203607 | 1181188 |
| Total assets | | 1906371 | 1930390 |

The accompanying notes on pages12.-29.are an integral part of these financial statements

| LIABILITIES 1 | Appendices | 31.12.2014. EUR | 31.12.2013. EUR |
|---|------------|---------------------------|---------------------------|
| 1.CAPITAL | | | |
| 1.Share capital | 7 | 1285401 | 1306401 |
| 2.Share capital reserve | | 21000 | 0 |
| 3.Revaluation reserve | 8 | 22193 | 22193 |
| 5.Retained profit | | | |
| a) previous years retained profit | | 275585 | 315812 |
| current year profit | | 20699 | -40227 |
| 1Total Capital and reserves | | 1624878 | 1604179 |
| 2.PROVISIONS | 9 | 25256 | 33552 |
| Total PROVISIONS | | 25256 | 33552 |
| 3.CREDITORS | | | |
| 1.Long term creditors | | | |
| Deferred tax | 10 | 62700 | 63824 |
| 1.Total long term creditors | | 62700 | 63824 |
| 2.Short-term creditors | | | |
| 4..Bank loan | 11 | 20867 | 30212 |
| 5.Advances received from customers | | 19548 | 47217 |
| 6.Trade creditors | | 75361 | 81495 |
| 8.Amounts payable to associated companies | 12 | 641 | 6696 |
| 10.Taxes and social security payments | 13 | 35832 | 25777 |
| 11.Other creditors | 14 | 32205 | 27890 |
| Accrued liabilities | 15 | 9083 | 9548 |
| 2. Total short-term creditors | | 193537 | 228835 |
| Total creditors | | 256237 | 292659 |
| | | | |
| Total liabilities | | 1906371 | 1930390 |

The accompanying notes on pages 12.-29. are an integral part of these financial statements

2.3.Cash flow statement.

(Cash flow statement, prepared using indirect method)

| Indices | Appen | 31.12.2014. | 31.12.2013. |
|---|-------|---------------|---------------|
| | ndice | EUR | EUR |
| 2 | 1. | | |
| I. Operation activities | | | |
| 1. Profit or loss before extraordinary items and taxes. | | 30324 | -36966 |
| Corrections: | | | |
| a) Wear and tear of fixed assets; | | 54700 | 62154 |
| b) Value cancellation if long-term investments; | | 0 | 14692 |
| c) Formation of reserves (except the reserves for unreliable debt); | | -8296 | 3263 |
| d) Profit or loss from fluctuation of foreign currency exchange rate; | | -8353 | 716 |
| e) Interest received | | 0 | 0 |
| f) Proceeds from partnership in capital of subsidiary company and associated enterprises | | 1104 | 989 |
| g) Proceeds from no securities and loans, that have been made long-term investment | | 0 | 0 |
| 2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities | | 69479 | 44848 |
| Adjustments: | | | |
| a) Increase or decrease of residues of debts of debtors; | | -38805 | 18314 |
| b) Increase or decrease of residues of resources; | | -79321 | -30539 |
| c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors. | | -25953 | 16317 |
| 3. The gross cash flow of basic activity. | | -74600 | 48940 |
| 4. Expenses for payments of enterprise income tax | | -3150 | -3414 |
| 5. Expenses for fixed asset tax payments | | -5304 | -5212 |
| 6. The net cash flow of basic activity | | -83054 | 40314 |
| II. Investing activities | | | |
| 1. Purchase of shares or parts of related or associated enterprises. | | -8262 | -54029 |
| 3. Interest received | | 0 | 0 |
| 9. Net cash flow used in investing activities | | -8262 | -54029 |
| III. Financing activities | | | |
| 2. Loans received | | 0 | 30212 |
| 3. Financial aids, pump-priming, presents or donations received | | | |
| 4. Expenses for repayment of loans | | -10449 | -989 |
| 7. Net cash flow of financing activity | | -10449 | 29223 |
| IV. The result of exchange rate fluctuations of foreign currency. | | 8353 | -716 |
| V. The net cash flow of year of account | | -93412 | 14792 |
| VI. The remainder of currency and its equivalents at the beginning of year of account. | | 108978 | 94186 |
| VII. The remainder of currency and its equivalents at the end of year of account. | | 15566 | 108978 |

2.5 STATEMENT OF CHANGES IN EQUITY

Year 2014

(EUR)

| | Share capital | Share capital reserve | Revaluation reserve | Year of account retained profit | Prior period retained profit | Total |
|------------------------------------|---------------|-----------------------|---------------------|---------------------------------|------------------------------|---------|
| As of 31 December 2012 | 1306401 | 0 | 22193 | 2544 | 313268 | 1644406 |
| Year 2013 of account profit (loss) | 0 | 0 | 0 | -40227 | 0 | -40227 |
| As of 31 December 2013 | 1306401 | 0 | 22193 | -40227 | 315812 | 1604179 |
| Year 2013 of account profit (loss) | 0 | 0 | 0 | 40227 | -40227 | 0 |
| Share capital reserve | -21000 | 21000 | 0 | 0 | 0 | 0 |
| Current year profit | 0 | 0 | 0 | 20669 | 0 | 20669 |
| As of 31.december 2014 | 1285401 | 21000 | 22193 | 20669 | 275585 | 1624848 |

2.5. Appendices to the Financial statements 2014-2013

Accounting policy

The financial statements have been prepared in accordance with Latvian law "On Accounting" and the "Annual Accounts Law". Profit and losses are accounted in accordance with sales costs method. The cash flow statement is prepared using the indirect method

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 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.

Compared to the previous reporting period, accounting and valuation methods used by the Company have not been changed

| | |
|-----|--------------------|
| | 31.12.2014. |
| USD | 1.216 |
| LTL | 3.4528 |

Usage of estimates

During preparation of financial statements Company's board has made a number of estimates and assumptions that affect residuals of separate items, included into balance and receipt and expenditure of the financial statement as well as possible amount of liabilities. Future events may affect mentioned estimates and assumptions. Any change of such estimates and assumptions impact on Company's performance is presented in financial statements when determinable.

Long-term and short-term items

Long-term items include amounts with the receipt, payment or write-off terms due more than one year after the end of the accounting year. The amounts received, paid or written-off during the year are shown in short-term items

Earning recognition and net turnover

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.

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

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

Fixed assets

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

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 |

Debts of debtors

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

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

Cash and cash equivalents

For the cash flow purposes cash and cash equivalents consist of the remaining cash, current bank accounts and short-term deposits with a maturity of up to 90 days.

Accrued liabilities.

Accrued liabilities shall be clearly aware of the amount of liabilities to suppliers and contractors for the current year, goods or services for which the supply or purchase of the company's contract terms and conditions or other reasons the balance sheet date has not received a corresponding billing document. The commitment amount is calculated based on the relevant contract price and the actual receipt of good or services supporting documents.

Corporate income tax

Corporate income tax is calculated for the reporting year in accordance with regulatory requirements of the Republic of Latvia.

Deferred tax is calculated using the liability method on all temporary differences between assets and liabilities in the financial statements and its values for the tax calculation purposes. Deferred tax is calculated using the tax rates, that are in force at the date of the balance sheet, which are expected during the periods, when temporary differences smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transferred to subsequent tax periods. A deferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differences.

Provisions

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

Appendices for profit and loss account

1.Net sales

| Modus operandi | 31.12.2014. EUR | 31.12.2013. EUR |
|--|--------------------|--------------------|
| Incomings from production of locks and ironmongery | 1972957 | 2006372 |
| Incomings from rendering of services | 90118 | 85381 |
| Total: | 2063075 | 2091753 |

| No. | Name of the state | Selling | |
|-----|-------------------|---------------|---------------|
| | | 2014 (EUR) | 2013 (EUR) |
| 1. | Latvia | 1059.6 | 1084.9 |
| 2. | Lithuania | 374.8 | 355.7 |
| 3. | Uzbekistan | 239 | 211.2 |
| 4. | Estonia | 147.4 | 138.6 |
| 5. | Belize | 185.6 | 201.5 |
| 6. | Russia | 30.2 | 19.8 |
| 7. | Ukraine | 0 | 33.6 |
| 8. | Germany | 4.9 | 16.4 |
| 9. | Denmark | 17.2 | 27.9 |
| 10. | Finland | 4.4 | 2.1 |
| | Total | 2063.1 | 2091.7 |

2. Production costs of sales.

| The main elements of expenses | 31.12.2014. EUR | 31.12.2013. EUR |
|--|--------------------|--------------------|
| Material costs | 1083592 | 1137420 |
| Wages | 412132 | 396210 |
| Obligatory payments of the state social insurance | 95817 | 94268 |
| Electrical energy | 102211 | 102626 |
| Costs of depreciation of fixed | 54700 | 76848 |
| Wear of low value stock | 14096 | 18716 |
| Import duty | 8254 | 7666 |
| Received services | 57547 | 52074 |
| Environment protection expenses | 8399 | 10151 |
| The rest of expenses | 71474 | 68255 |
| Correction of expenses | 1908222 | 1964234 |
| Changes of remains unfinished production | -48636 | -13634 |
| Changes of remains of self-made punches, molds and materials | -25237 | -25872 |
| Changes of remains of complete product | -16563 | 70 |
| Changes of remains self-made fixed assets | 0 | -32628 |
| TOTAL | 1817786 | 1892171 |

3. Distribution expenses

| The main elements of expenses | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------------------------------|--------------------|--------------------|
| Wages | 14942 | 14164 |
| Social expenses | 3550 | 3372 |
| The rest of expenses | 498 | 736 |
| Marketing Services | 33831 | 44495 |
| Total | 52821 | 62767 |

4. Administration expenses.

| The main elements of expenses | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------------------------------|--------------------|--------------------|
| Wages | 136304 | 137147 |
| Social expenses | 31076 | 31958 |
| The rest of expenses | 8501 | 10502 |
| Provisions | 1450 | 1423 |
| Total | 177331 | 181030 |

5. The rest of incomes for economic activity

| Sort of revenue | 31.12.2014. EUR | 31.12.2013. EUR |
|-------------------------|--------------------|--------------------|
| Sales of current assets | 22511 | 28299 |
| The rest of incomes | 8586 | 0 |
| Others income | 8352 | 0 |
| Total | 39449 | 28299 |

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

| | 31.12.2014. EUR | 31.12.2013. EUR |
|---|--------------------|--------------------|
| Expenses for social sphere | 1034 | 978 |
| Expenses, unrelated with economic activity, donations | 759 | 1243 |
| provision for doubtful receivables | 3304 | 0 |
| harm recompense | 16581 | 16915 |
| Other expenses | 1178 | 918 |
| Total | 22856 | 20054 |

7. Interest, interest cover

| | 31.12.2014 EUR | 31.12.2013 EUR |
|----------------|-------------------|-------------------|
| Interest | 1104 | 988 |
| interest cover | 302 | 9 |
| Total | 1406 | 997 |

Appendices to balance sheet

1.Fixed assets (EUR)

| | Land | Buildings | Technological equipment | The rest capital assets | origination of capital assets | Total |
|--|--------------|---------------|-------------------------|-------------------------|-------------------------------|---------------|
| Purchase prices 31.12.2012. | 23924 | 975560 | 1121241 | 136122 | 0 | 2256847 |
| To put into operation | 0 | 12793 | 39556 | 1680 | 0 | 54029 |
| Disposed | 0 | 0 | 3393 | 575 | 0 | 3968 |
| Purchase prices 31.12.2013. | 23924 | 988353 | 1157404 | 137227 | 0 | 2306908 |
| To put into operation | 0 | 0 | 1450 | 79 | 6732 | 8261 |
| Disposed | 0 | 0 | 4814 | 246 | 0 | 5060 |
| Purchase prices 31.12.2014. | 23924 | 988353 | 1154040 | 137060 | 6732 | 2310109 |
| Depreciation 31.12.2012. | 0 | 425927 | 962118 | 111476 | 0 | 1499521 |
| Calculated | 0 | 15208 | 41245 | 5701 | 0 | 62154 |
| Disposed | 0 | 0 | 3394 | 574 | 0 | 3968 |
| Depreciation 31.12.2013. | 0 | 441134 | 999969 | 116603 | 0 | 1557706 |
| Calculated | 0 | 15452 | 34230 | 5018 | 0 | 54700 |
| Disposed | 0 | 0 | 4814 | 246 | 0 | 5060 |
| Depreciation 31.12.2014. | 0 | 456586 | 1029385 | 121375 | 0 | 1607345 |
| Balance sheet value 31.12.2013 | 23924 | 547219 | 157435 | 20624 | 0 | 749202 |
| Balance sheet value 31.12.2014. | 23924 | 531767 | 124656 | 15685 | 6732 | 702764 |

2.2 Fixed asset liquidation

| | 31.12.2014 EUR | 31.12.2013. EUR |
|---------------------------------------|-------------------|--------------------|
| Fixed asset acquisition value | 5060 | 3968 |
| Accumulated depreciation | 5060 | 3701 |
| Loss from liquidation of fixed assets | 0 | 267 |

3.Cadastre value of the buildings

| Property | Cadastre No. | Cadastre value EUR | Balance sheet value EUR |
|--|----------------|-----------------------|----------------------------|
| Coal – woodchip place-shed | 64050100122011 | 2367 | 5298 |
| Joinery building | 64050100122012 | 6293 | 11165 |
| Lean -garage | 64050100122008 | 6801 | 8087 |
| Production building No.2 | 64050100122002 | 15096 | 19941 |
| Engineering-technical building | 64050100122003 | 6047 | 2181 |
| Building of Grinding shop, Electroplating shop and Clubhouse | 64050100122005 | 32914 | 25171 |
| Repair shop | 64050100122006 | 18279 | 16529 |
| Storehouse of electrolytic components | 64050100122007 | 32713 | 9482 |
| Boiler house | 64050100122010 | 11213 | 45629 |
| Aid post of factory | 64050100122013 | 9101 | 4295 |
| Warehouse | 64020100122014 | 25379 | 11305 |
| Warehouse | 64050100122015 | 8315 | 347 |
| The main production building with compressor substation | 64050100122016 | 117855 | 288856 |
| Office building | 64050100122017 | 37055 | 11630 |
| Neutralization building | 64050100122018 | 2345 | 12712 |
| Gatehouse | 64050100122019 | 332 | 0 |
| Sawmill building | 64050100122020 | 5762 | 2507 |
| Transformer substation | 64050100220021 | 1930 | 1681 |
| Plot., Kalvenes 27, Aizpute 42695 m2(93/100) | 64050100008 | 20727 | 23924 |
| Garage-outhouse | 64050100122009 | 1793 | 2387 |
| Total | | 362317 | 503127 |

3 Advance payment for goods.

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------|--------------------|--------------------|
| Diesel | 186 | 330 |
| Material | 48599 | 66601 |
| Total | 48785 | 66931 |

4. Trade debtors

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|-----------------------------------|--------------------|--------------------|
| Trade debtors accounting value | 180168 | 161790 |
| Provisions doubtful debt | 28018 | 24914 |
| Trade debtors net value | 152150 | 136876 |

Change in provision for doubtful receivables

| | Trade debtors (EUR) |
|------------------------------|----------------------------|
| Provisions 31.12.2013 | 24914 |
| Provisions decrease | 200 |
| provisions increase | 3304 |
| Provisions 31.12.2014 | 28018 |

5. Other debtors .

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------------------|--------------------|--------------------|
| The overpaid taxes | 0 | 1719 |
| Personnel debts | 149 | 0 |
| Public utilities payment | 6323 | 4804 |
| Other debts | 27937 | 6376 |
| Total | 34409 | 12899 |

6. Deferred expenses.

| | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------|----------------------------|----------------------------|
| subscription | 81 | 355 |
| Total | 81 | 355 |

7. Money resources

| | 31.12.2014. EUR | 31.12.2013. EUR |
|------------------------------------|----------------------------|----------------------------|
| Money resources in cash department | 420 | 87 |
| Money resources in bank | 15146 | 108891 |
| Total | 15566 | 108978 |

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

- in public returns 656356 ,or 71.5%
- in closed register 261788, or 28.5%

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

28.2% - (258470 equates) of share capital belongs to Oliver Kai Wiederhold

9. Long-term investment revaluation reserve.

| Item | Long-term investment revaluation reserve (EUR) |
|---------------------------|---|
| Balance 31.12.2013 | 22193 |
| increase | 0 |
| decrease | 0 |
| Balance 31.12.2014 | 22193 |

10. PROVISIONS

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|---------------------------------|----------------------------|----------------------------|
| Provisions for not used holiday | 25256 | 33552 |
| Total | 25256 | 33552 |

11. Deferred tax liabilities

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|---|--------------------|--------------------|
| Deferred tax liabilities | 63824 | 65775 |
| Incomes of reduction Deferred tax liabilities | 1124 | 1951 |
| Total | 62700 | 63824 |

12. Bank credit (short term)

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|--------------|--------------------|--------------------|
| AS DNB BANKA | 20868 | 30212 |

For the guarantee of increase in a limit of the credit for AS DNB the commercial mortgage on resources in volume 97 986 EUR is given out.

13. Liabilities to associated (Enterprises short term)

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|---|--------------------|--------------------|
| A.S "KURZEMES ATSLĒGA" reģ.nr..40003123254 | 64 | 6696 |

Movement taxes 2014. EUR

| Kind of taxes | balance 31.12.2013. EUR | calculated 2014.g. EUR | paid 2014. g. EUR | To direct for other taxes EUR | balance 31.12.2014. EUR |
|---|-------------------------------|------------------------------|-------------------------|-------------------------------------|-------------------------------|
| Obligatory payments of the state social insurance | 15849 | 188779 | 187179 | 0 | 17449 |
| Income tax of inhabitants | 6931 | 80844 | 79703 | 0 | 8072 |
| Value added tax | 2712 | 67693 | 51183 | 12425 | 6797 |
| real estate tax | 0 | 5304 | 5304 | 0 | 0 |
| Enterprise income tax | -1719 | 5445 | 576 | 0 | 3150 |
| Tax to natural resources | 245 | 1087 | 1007 | 0 | 325 |
| Business risk fee | 40 | 479 | 480 | 0 | 39 |
| Total | 24058 | 349631 | 325432 | 12425 | 35832 |

Int.al.:

Overpayment taxes 0

Liability taxes 35832

15. The rest of creditors.

| Kind of creditors | 31.12.2014. EUR | 31.12.2013. EUR |
|----------------------|--------------------|--------------------|
| Wages for December | 27721 | 23336 |
| harm recompense | 1362 | 1425 |
| Deduction from wages | 164 | 286 |
| Other creditors | 2958 | 2843 |
| Total | 32205 | 27890 |

16. Accrued liabilities.

| Item | 31.12.2014. EUR | 31.12.2013. EUR |
|-------------------------------|--------------------|--------------------|
| Expenses of audit of the year | 725 | 711 |
| JSC Latvenergo | 8043 | 8154 |
| Other | 315 | 683 |
| Total | 9083 | 9548 |

General note

| | 2014.EUR | 2013.EUR |
|---|---------------|---------------|
| The average annual number of employees | 103 | 105 |
| Personnel expenses Total | 694855 | 678098 |
| - wages | 564215 | 548309 |
| social insurance | 130640 | 129789 |
| - inter alia | | |
| Production personnel | | |
| - wages | 412132 | 396210 |
| social insurance | 95817 | 94268 |
| Total | 507949 | 490478 |
| The personnel of administration | | |
| - wages | 136304 | 137148 |
| social insurance | 31076 | 31958 |
| Total | 167380 | 169106 |
| i.a. Compensation of board | | |
| - compensation | 11073 | 11461 |
| - social insurance | 2540 | 2624 |
| Total | 13613 | 14085 |
| Compensation of Supervisory Council | | |
| - compensation | 9864 | 8879 |
| - social insurance | 2256 | 2042 |
| Total | 12120 | 10921 |
| The personnel of sales | | |
| - compensation | 14943 | 14163 |
| - social insurance | 3550 | 3372 |
| Total | 18493 | 17535 |
| The personal for social sphere | | |
| - compensation | 836 | 788 |
| - social insurance | 197 | 191 |
| Total | 1033 | 979 |

18. Remuneration the Sworn Auditor

| | 2014 . EUR | 2013 . EUR |
|-----------------|---------------|---------------|
| SIA "ES AUDITS" | 1450 | 1423 |

19. Transactions with associated persons

| Name of the associated person | Materials purchased from associated person in 2014. EUR | Services provided and goods sold to the associated company in 2014. EUR |
|--|--|--|
| JSC "KURZEMES ATSLĒGA" Registration No. 40003123254 | 138342 | 3964 |
| Among it | | |
| Long-term debts to associated enterprise | 0 | 0 |
| Short-term debts to associated enterprise | 138342 | 3964 |

20. Transactions with companies, registered in low-tax zone

| Name of the related person | Exported goods 2014. EUR | Exported goods 2013. EUR |
|----------------------------|-----------------------------|-----------------------------|
| ORS TRADING LTD Beliza | 58125 | 201516 |
| LEAD TRADING LTD Beliza | 127463 | 0 |
| TOTAL | 185588 | 201516 |

21. Important events after the accounting period.

During the period after accounting report till its signing no significant events has occurred, what could influence the financial situation fixed in financial report of the enterprise

22. Financial risk management

To ensure financial risk management JSC "KURZEMES ATSLĒGA 1" follows-up the liquidity, regularly controls the cash flow of the enterprise. Active work with

collection of fiscal debts is being provided. Financial resources – credit is being attracted.

The Company's principal financial instruments comprise loans, finance leases, cash. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial Risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables and short-term and long-term borrowings. The Company is mainly exposed to foreign currency risk of USD.

Interest rate risk

The Company is exposed to the interest rate risk mainly through its short-term and long-term borrowings. The Company's policy is to ensure that the majority of its borrowings are at floating and constant rate.

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized.

23. Calculation of indices of the Financial results

Liquidity ratio.

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

$$\text{Total ratio of liquidity} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

Production of locks and hinges

$$\text{Year 2014}(1203607:193537)=6.22$$

$$\text{Year 2013}(830144:160826)=5.16$$

$$\text{Quick ratio} = \frac{(\text{Cash} + \text{Marketable securities} + \text{Debtors})}{\text{Current Liabilities}}$$

$$\text{Year 2014}(15566+186640):193537=1.04$$

$$\text{Year 2013}(76590+105512):160826=1.13$$

$$\text{Absolute liquidity ratio} = \frac{(\text{Cash} + \text{Marketable securities})}{\text{Current Liabilities}}$$

$$\text{Year 2014}(15566:193537)=0.08$$

$$\text{Year 2013}(76590:160826)=0.48$$

Liability ratio.

Calculation of liability or solvency ratios (ability to cover short-term or long-term liabilities):

$$\text{Liability ratio in balance} = \frac{\text{Current Liabilities}}{\text{Balance total}}$$

$$\text{Year 2014}(256337:1906371)=0.13$$

$$\text{Year 2013}(205682:1356686)=0.15$$

$$\text{Liability ratio to equity} = \frac{\text{Liabilities}}{\text{Equity}}$$

$$\text{Year 2014}(256237:1625506)=0.16$$

$$\text{Year 2013}(205682:1127423)=0.18$$

$$\text{Equity ratio to total assets} = \frac{\text{Equity}}{\text{Assets}}$$

$$\text{Year 2014}(1624878:1906371)=0.85$$

$$\text{Year 2013}(1127423:1356686)=0.83$$

$$\text{Borrowed funds ratio} = \frac{\text{Borrowed funds}}{\text{Equity}}$$

$$\text{Year 2014}(256237:1624878)=0.16$$

$$\text{Year 2013}(205682:1127423)=0.18$$

Activity ratio .

$$\text{Stock Turnover ratio} = \frac{\text{Production Costs of sold products}}{\text{Average stock reminder}}$$

$$\text{Year 2014}(1817786:961741)=1.89$$

$$\text{Year 2013}(1329825:637311)=2.09$$

Profitability ratios.

$$\text{Sales profitability (\%)} = \frac{\text{Profit (or loss) of}}{\text{Net turnover}} * 100$$

$$\text{Year 2014}((20669*100:2063075)=1.002\%$$

$$\text{Year 2013}(-28272x100:1470093)=-1.92 \%$$

$$\text{Equity profitability (\%)} = \frac{\text{Annual profit} * 100}{\text{Average annual equity}}$$

Year 2014(20669*100:1614843)=1.28

Year 2013(-40227*100:1624293)=-2.48

The Board of AS "KURZEMES ATSLEGA 1":

| | |
|-----------------------|---------------------|
| Chairman of the Board | Peteris Fridenbergs |
|-----------------------|---------------------|

| | |
|---------------------|------------------|
| Member of the Board | Voldemārs Magone |
|---------------------|------------------|

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

February 27, 2015