

JOINT STOCK COMPANY
“KURZEMES ATSLEGA 1”
LV40003044007

ANNUAL REPORT
2014
(AUDITED)

FOR THE PERIOD
01 JANUARY 2014-
31 DECEMBER 2014

Aizpute
2015

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1.Information on enterprise

State registration Nr. and date	000304400 February 1996. Dropped from Register of Companies 2004.11.06. "KURZEMES ATSLEGA 1" JSC, had been enrolled in Commercial Register June 1, 2004 with identification number Nr. 40003044007
Registration number of VAT	LV 40003044007, January 22, 1997
The name of enterprise and address	Joint stock company "KURZEMES ATSLEGA 1" Kalvenes street 27, Aizpute LV 3456, Latvia
NACE 2	25.72 Production of locks and ironware
Financial period	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 Valdis Biķis –Member of Supervisory Council Rolands Līvmanis -Member of Supervisory Council Irena Burve – Member of Supervisory Council
Members of Board	Voldemārs Magone – Member of Board Aldis Ozols , Member of Board
Chairman of Board	Pēteris Frīdenbergs
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 03.%. 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 – 456 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 4.8 %. 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

March 23, 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”.

Board of JSC “KURZEMES ATSLEGA 1”

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

March 23, 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	1920239	1999726
Gross profit		142836	92028
Distribution expenses	3	52821	62767
Administration expenses	4	74878	73475
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.-24. 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 pages 12.-24. are an integral part of these financial statements

LIABILITIES	Appendices	31.12.2014.	31.12.2013.
1		EUR	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.-24.are an integral part of these financial statements

2.3.Cash flow statement.

(Cash flow statement, prepared using indirect method)

Indices	Appen- dices	31.12.2014.	31.12.2013.
		EUR	EUR
I. Operation activities			
1. Profit or loss before extraordinary items and taxes. Correction s:		30324	-36966
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;		-8352	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		69480	44848
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		-36510	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.		-30822	16317
3. The gross cash flow of basic activity.		-77173	48940
4. Expenses for payments of enterprise income tax		-576	-3414
5. Expenses for fixed asset tax payments		-5304	-5212
6. The net cash flow of basic activity		-83053	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.		8352	-716
V. The net cash flow of year of account		-93412	14792
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.		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 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.

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

10) Requalification of comparative information.

Costs directly associated with the production management are transferred from item "Production costs" to "Administrative costs".

In 2013 – 107555 EUR

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.

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.	<i>Name of the state</i>	<i>Selling</i>	
		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	495902	483439
Obligatory payments of the state social insurance	114500	114595
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	2010675	2071790
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	1920239	1999726

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	52534	49919
Social expenses	12393	31958
The rest of expenses	8501	10502
Provisions	1450	1423
Total	174878	73475

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

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 m ² (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. 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

14. 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	174754	-12524	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	0	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

17. 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 company 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 ATSLEGA 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

	2014	2013
Liquidity ratio		
Total ratio of liquidity	6.22	5.16
Quick ratio	1.04	1.13
Absolute liquidity ratio	0.08	0.48
Liquidity – solvency, i.e. ability to extinguish short-term obligations in time and completely.		
<u>Liability ratio</u>		
Liability ratio in balance	0.13	0.15
Liability ratio to equity	0.16	0.18
Equity ratio to total assets	0.85	0.83
Borrowed funds ratio	0.16	0.18
(ability to cover short-term or long-term liabilities)		
Activity ratio		
Stock Turnover ratio	1.89	2.09
<i>Profitability ratios</i>		
Sales profitability	1.002 %	1.92 %
Equity profitability	1.28 %	2.48 %

Board of JSC “KURZEMES ATSLEGA 1”

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

March 23, 2015