

**JOINT STOCK COMPANY**

**‘KURZEMES ATSLEGA 1’  
LV40003044007**

**FINANCIAL REPORT FOR FIRST 6 MONTHS  
OF THE YEAR 2015  
(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
NACE 2	25.72 Production of locks and ironware
Financial period	1 January 2015– 30 June 2015
Members of Supervisory Council	<b>Guntars Stekjanis</b> – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; <b>Valdis Bīķis</b> –Member of Supervisory Council <b>Rolands Līvmanis</b> -Member of Supervisory Council, <b>Ulrich Ardnt Schaefer</b> - Member of Supervisory Council, <b>Irena Burve</b> – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant
Members of Board	<b>Voldemārs Magone</b> – Member of Board, "Kurzemes Atslega 1", JSC, technical director <b>Aldis Ozols</b> , Member of Board, "Kurzemes Atslega 1" JSC, production director
Chairman of Board	<b>Peteris Fridenbergs</b>
Auditor	Certified Auditor <b>Aivars Rutkis</b> , Certificate Nr. 18

## Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st half of the 2015 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. are still being produced.

Net turnover has reached 863 768 EUR in the 1st half of 2015 which is down by 18.5% or 196 264 EUR in comparison with 1st half of 2014.

The 1st half of the 2015 has finalized with losses in amount of 35910 EUR.

Losses per stock 30.06.2015 - 0.04 EUR

Profit per stock 30.06.2014 - 0.02 EUR

Volume of sold production divides as follows:

- sold in local market (Latvia) – 56% or 483424 EUR. This is by 40043 EUR less than in the 1st half of 2014;
- export - 44% or 380344 EUR, i.e. by 156221 EUR less than in the 1st half of 2014.

<b>States</b>	<b>30.06.2015 EUR</b>	<b>%</b>	<b>30.06.2014 EUR</b>	<b>%</b>
Latvia	483424	56	523467	49.4
Lithuania	181435	21	194500	18.3
Uzbekistan	70673	8.2	94768	8.9
Estonia	87883	10.2	79894	7.5
Belize	0	0	127959	12.1
Denmark	10530	1.2	17200	1.6
Russia	15599	1.8	20036	1.9
Finland	0	0	2208	0.2
Germany	14224	1.6	0	0
Total	863768	100	1060032	100

Currently 93 employees are being employed in company. Average amount of employees in 6 months of the 2014 was 104.

Average salary 466 EUR. In 6 months of 2014 – 446 EUR.

Company has no tax arrears. Financial activity of the Company has provided mainly with its own assets, the loan facility in amount of 70000 EUR has been linked.

To achieve profitable activity, the board considers taking tight control over costs and should curtail expenses. Work on market expansion is being continued.

**Aizpute ,August 28,2015**

**Statement of responsibility of direction.**

Non-audited report of the first 6 months 2015 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 6 months 2015 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

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Chairman of the Board	Peteris Fridenbergs
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Member of the Board	Aldis Ozols
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Member of the Board	Voldemārs Magone
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## BALANCE SHEET FOR 6 MONTHS OF 2015

<b>ASSETS</b> <b>1</b>	<b>Row code</b>	<b>30.06.2015</b> <b>EUR</b>	<b>30.06.2014</b> <b>EUR</b>
<b>1.LONG TERM INVESTMENT</b>			
1.Expenses of development		0	0
2.Concessions, patents, licenses		0	0
<b>Total</b>		<b>0</b>	<b>0</b>
<b>I. Intangible fixed assets</b>			
<b>II. Fixed assets</b>			
1. Land, building.		548079	563417
2.Equipment and machinery		108076	130347
3.Other fixed assets		13511	29438
4.Fixed assets development costs		6732	0
5.Prepayment for fixed assets			
<b>II Total fixed assets</b>		<b>676398</b>	<b>723202</b>
1.Total LONG TERM INVESTMENT		<b>676398</b>	<b>723202</b>
<b>2.CURRENT ASSETS</b>			
<b>1.Inventories</b>			
1.Raw materials		520146	524553
2.Work in progress		280626	234115
3.Finished goods and goods for sale		145128	186966
5.Advance payment for goods		29498	29683
<b>I. Total inventories</b>		<b>975398</b>	<b>975317</b>
<b>II. Debtors</b>			
1.Trade debtors		151341	167340
4.Other debtors		21737	10394
7.Deferred expenses		81	355
<b>II. Total debtors</b>		<b>173159</b>	<b>178089</b>
<b>III. Securities and capital participation</b>			
<b>IV . Cash</b>		21350	51787
<b>2.Total current assets</b>		<b>1169907</b>	<b>1205193</b>
<b>Total assets</b>		<b>1846305</b>	<b>1928395</b>

<b>LIABILITIES</b> <b>1</b>	<b>Row code</b>	<b>30.06.2015</b> <b>EUR</b>	<b>30.06.2014</b> <b>EUR</b>
<b>1.CAPITAL</b>			
1.Share capital	1	1285401	1306401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves		21000	0
<b>4.Total reserves</b>			
5.Retained profit		264957	290588
a) previous years retained profit		300867	275585
b)current year profit		-35910	15003
1Total Capital and reserves		<b>1593551</b>	<b>1619182</b>
<b>2.PROVISIONS</b>		<b>25256</b>	<b>33552</b>
<b>3.CREDITORS</b>			
<b>1.Long term creditors</b>			
Other loans			
.Amounts payable to associated companies			
Deferred tax		62700	63824
Deferred income			0
<b>1.Total long term creditors</b>		<b>62700</b>	<b>63824</b>
<b>2.Short-term creditors</b>			
3. Other loans		5754	0
4..Bank loan	2	0	50606
5.Advances received from customers		7132	16021
6.Trade creditors		93937	78153
8.Amounts payable to associated companies		494	3125
10.Taxes and social security payments	3	24118	29648
11.Other creditors	4	27020	27146
Deferred income		0	0
Deferred liabilities		6343	7138
<b>2.Total short-term creditors</b>		<b>164798</b>	<b>211837</b>
<b>3.Total creditors</b>		<b>227498</b>	<b>275661</b>
<b>Total liabilities</b>		<b>1846305</b>	<b>1928395</b>



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

## Profit and loss account

N.	Item	line No	30.06.2015	30.06.2014
			EUR	EUR
1	Net sales	1	863768	1060032
2	Cost of sales	2	(833441)	(968221)
3	Gross profit or loss		<b>30327</b>	<b>91811</b>
4	Distribution expenses	3	(21485)	(25716)
5	Administration expenses	4	(44027)	(46424)
6	Other operating income	5	12554	11637
7	Other operating expenses	6	(9795)	(10378)
8	Interest paid and similar expense		(830)	(629)
9	<b>Operating profit</b>		<b>(33256)</b>	<b>20301</b>
10	Extraordinary income			
11	Extraordinary expenses			
12	<b>Profit or loss before taxes</b>		<b>(33256)</b>	<b>20301</b>
13	Corporate income tax			
14	Other taxes		(2654)	(5298)
15	Deferred tax			
16	<b>Net profit or loss for the year</b>		<b>(35910)</b>	<b>15003</b>

Profit per stock 30.06.2014 0.02 EUR

Losses per stock 30.06.2015 0.04 EUR

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

Voldemārs Magone

## Cash flow statement

Indices	30.06.2015	30.06.2014
	EUR	EUR
1	2	3
<b>I. Operation activities</b>		
I.		
1. Profit or loss before extraordinary items and taxes.	(33256)	20301
Corrections:	<b>20912</b>	<b>27044</b>
a) Wear and tear of fixed assets;	26366	27529
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;	(6284)	(1114)
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	830	629
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities	<b>(12344)</b>	<b>47345</b>
Adjustments:	<b>30451</b>	<b>(118012)</b>
a) Increase or decrease of residues of debts of debtors;	13702	(27383)
b) Increase or decrease of residues of resources;	26003	(53237)
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.	(9254)	(37392)
3. The gross cash flow of basic activity.	18107	(70667)
4. Expenses for interest payments.		
5. Expenses for payments of enterprise income tax		(576)
6. Expenses for fixed asset tax payments	(2654)	(5298)
7. Cash flow before extraordinary items.	15453	(76541)
8. Cash flow from extraordinary items.		
<b>8. The net cash flow of basic activity</b>	<b>15453</b>	<b>(76541)</b>

1.	2.	3.
<b>II. Investing activities</b>		
1. Purchase of shares or parts of related or associated enterprises.		
3. Purchase of fixed assets and nonmaterial investments	0	(1529)
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		
<b>9. Net cash flow used in investing activities</b>	<b>0</b>	<b>(1529)</b>

### III. Financing activities

1.	2.	3.
1. Proceeds from issue of shares and bond or participation shares of capital investments.		
2. Loans received	(15113)	20394
3. Financial aids, pump-priming, presents or donations received		
4. Expenses for repayment of loans	(830)	(629)
5. Expenses for redemption of hired fixed assets		
6. Dividends paid		
7. Changes of reserves		
<b>7. Net cash flow of financing activity</b>	<b>(15943)</b>	<b>19765</b>
<b>IV. The result of exchange rate fluctuations of foreign currency.</b>	6284	1114
<b>V. The net cash flow of year of account</b>	<b>5794</b>	<b>(57191)</b>
<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>	15566	108978
<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>	21360	51787

JSC "KURZEMES ATSLEGA 1"  
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STATEMENT OF CHANGES IN EQUITY  
**FOR 6 MONTHS OF 2015**  
 (EUR)

	Share capital	Revaluation reserve	Share capital reserve	Retained profit	Total
<b>As of 31.December 2013</b>	<b>1306401</b>	<b>22193</b>		<b>275585</b>	<b>1604179</b>
Current year profit				25282	25282
Share capital reserve	(21000)		21000		0
dividend paid					
<b>As of 31.December 2014</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>300867</b>	<b>1629461</b>
dividend paid					
Current year profit				(35910)	(35910)
Revaluation reserve					
<b>As of 30 June 2015</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>264957</b>	<b>1593551</b>

## Accounting policy

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.

	<b>30.06.2015</b>	<b>30.06.2014</b>
USD	1.1189	1.3658
LTL	0	3.4528

## II. Earning recognition and net turnover

10. 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.

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

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

## III. Fixed assets

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

13. 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

14. 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

15. 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.

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

#### VII Enterprise income tax

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

18. 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

19. 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

### 1.Information for the ‘Balance sheet’.

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

- in public returns 656356 ,- 71.5%

- in closed register 261788.- 28.5%

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

28.2 % (258470 equites) of share capital belongs to Oliwer Wiederhold

### **2. Borrowings from credit institutions.**

<b>Creditors</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
A/S DNB BANKA	0	50606

### **3. Taxes and Obligatory payments of the state social insurance**

<b>Kind of taxes</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Income tax of inhabitants	6063	6422
Obligatory payments of the state social insurance	15253	15468
Other tax	2802	7758
<b>Total</b>	<b>24118</b>	<b>29648</b>

### **6. The rest of creditors.**

<b>Kind of creditors</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Wages for June	22626	22423
Other creditors	4394	4723
<b>Total</b>	<b>27020</b>	<b>27146</b>

Information for the ''Profit and loss account''.

**1. Net sales**

<b>Modus operandi</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Incomings from production of locks and ironmongery	801869	1013108
Incomings from rendering of services	61899	46924
<b>Total:</b>	<b>863768</b>	<b>1060032</b>

**2. Production costs of sales.**

<b>The main elements of expenses</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Material costs	415951	582250
Wages	219008	235530
Obligatory payments of the state social insurance	50449	54560
Electrical energy	42967	54232
Costs of depreciation of fixed	26366	27529
The rest of expenses	35655	42558
Import duty	3040	4209
Services received	30101	27523
<b>Expenses in total</b>	<b>823537</b>	<b>1028391</b>
Correction of expenses		
Changes of remains of unfinished production	9452	7327
Changes of remains of self-made punches, molds and materials	(5730)	(12967)
Changes of remains of complete product	6182	(54530)
<b>Total</b>	<b>833441</b>	<b>968221</b>

**3. Distribution expenses**

<b>The main elements of expenses</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Wages	7460	7423
Social expenses	1722	1717
Marketing Services	11976	16464
The rest of expenses	327	112
<b>Total</b>	<b>21485</b>	<b>25716</b>



## 4. Administration expenses.

<b>The main elements of expenses</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Wages	33477	34545
Social expenses	7986	8018
Telecommunication service	876	1296
Cash turnover expenses	609	866
The rest of expenses	1079	1699
<b>Total</b>	<b>44027</b>	<b>46424</b>

## 5. The rest of incomes for economic activity

<b>Sort of revenue</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Sales of current assets	5818	10233
Incomes from exchange rate fluctuations	6023	1114
The rest of incomes	713	290
<b>Total</b>	<b>12554</b>	<b>11637</b>

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

<b>Heads of expenditure</b>	<b>30.06.2015 EUR</b>	<b>30.06.2014 EUR</b>
Expenses for social sphere	383	499
Expenses, unrelated with economic activity, donations	8212	8440
Other	1200	1439
<b>Heads of expenditure</b>	<b>9795</b>	<b>10378</b>

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

Voldemārs Magone