

JOINT STOCK COMPANY

**‘KURZEMES ATSLEGA 1’
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9MONTHS
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
Financial period	1 January 2015– 30 September 2015
Members of Supervisory Council (from June 06.2013)	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Valdis Bīķis –Member of Supervisory Council Rolands Līvmanis-Member of Supervisory Council, Ulrich Ardent Schafer - Member of Supervisory Council, Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant
Members of Board (from July 20,2012)	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(from May 14, 2009)	Peteris Fridenbergs
Auditor	Certified Auditor Aivars Rutkis Certificate Nr. 18

Management report

JSC "KURZEMES ATLEGA 1" produces door locks, ironware, furniture fittings, forged products, production tools etc.

The fixed capital of the JSC "KURZEMES ATLEGA 1" is 1285401 EUR, net turnover has 1362170 EUR which is down by 17.2% or 283755 EUR in comparison with 9 months of 2014.

The 9 months of the 2015 has finalized with losses in amount of 20505 EUR.

Losses per stock 30.09.2015 - 0.02 EUR

Volume of sold production divides as follows:

- sold in local market (Latvia) – 58.1% ;
- export – 41.9%

Volume of sold production divided as follows:

9 months of the 2014

- sold in local market (Latvia) – 47.5%,
- export – 52.5 %

Export is decreased by 292 782 EUR during 9 months of the 2014.

States	9 months of the 2015 EUR	%	9 months of the 2014 EUR	%
Latvia	791389	58.1	782362	47.5
Lithuania	253924	18.6	266348	16.2
Uzbekistan	144643	10.6	212048	12.9
Estonia	123209	9.1	118128	7.2
Belize	0	0	185588	11.3
Russia	22992	1.7	30226	1.8
Other	26013	1.9	51225	3.1
Total	1362170	100	1645925	100

Number of employees in 9 months of the 2015 is 90, average wage 474 EUR. Number of employees in 9 months of 2014 was 104, average wage 451 EUR. Average salary is up by 5.1% in comparison with corresponding period of previous year.

The market research continues with the aim to diversify the range of production.

Statement of responsibility of direction.

Non-audited report of the first 9 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 9 months 2015 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 2015

ASSETS 1	Row code	30.09.2015. EUR	30.09.2014. EUR
1.LONG TERM INVESTMENT			
1.Concessions, patents, licenses		0	0
2. Expenses of development		0	0
Total		0	0
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		544302	559554
2.Equipment and machinery		105532	122161
3.Other fixed assets		12526	27844
4.Fixed assets development costs		6732	3770
5.Prepayment for fixed assets		0	0
II Total fixed assets		669092	713329
1.Total LONG TERM INVESTMENT		669092	713329
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		513708	540008
2.Work in progress		281306	245979
3.Finished goods and goods for sale		128307	111648
5.Advance payment for goods		22494	45706
I. Total inventories		945815	943341
II. Debtors			
1.Trade debtors	1	181274	139001
4.Other debtors		20631	11847
7.Deferred expenses		81	355
II. Total debtors		201986	151203
III. Securities and capital participation			
IV . Cash			
2.Total current assets		1209627	1211375
Total assets		1878719	1924704

LIABILITIES 1	Row code	30.09.2015 EUR	30.09.2014. EUR
1.CAPITAL			
1.Share capital	2	1285401	1285401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves		21000	21000
4.Total reserves			
5.Retained profit			
a) previous years retained profit		300867	275585
current year profit		(20505)	23482
1Total Capital and reserves		1608956	1627661
2.PROVISIONS		25256	33552
3.CREDITORS			
1.Long term creditors			
Deferred tax	3	62700	63824
1.Total long term creditors		62700	63824
2.Short-term creditors			
3. Other loans		5754	0
4..Bank loan		0	0
5.Advances received from customers		9397	11919
6.Trade creditors		105907	117612
8.Accounts payable to associated companies	4	1646	10782
10.Taxes and social security payments	5	25840	22043
11.Other creditors	6	25676	29089
Deferred income			
Deferred liabilities		7587	8222
2. Total short-term creditors		181807	199667
Total creditors		244507	263491
Total liabilities		1878719	1924704

4.Profit and loss account

N.	Item	line No	30.09.2015	30.09.2014.
			EUR	EUR
1	Net sales	1	1362170	1645925
2	Cost of sales	2	(1283271)	(1510557)
3	Gross profit		78899	135368
4	Distribution expenses	3	(30022)	(41216)
5	Administration expenses	4	(67383)	(71802)
6	Other operating income	5	17523	22390
7	Other operating expenses	6	(14559)	(14766)
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		(1061)	(1194)
13	Operating profit		(16603)	28780
14	Extraordinary income			
15	Extraordinary expenses			
16	Profit before taxes		(16603)	28780
16	Corporate income tax			
17	Other taxes		(3902)	(5298)
18	Net profit for the year		(20505)	23482

5. Cash flow statement.

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.09.2015	30.09.2014
	EUR	EUR	EUR
2	1.	3	4
I. Operation activities			
1.			
1. Profit or loss before extraordinary items and taxes.		(16603)	28780
Corrections:		33964	36683
a) Wear and tear of fixed assets;		39372	41172
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;		(6469)	(5683)
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		1061	1194
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		17361	65463
Adjustments:		48536	(20714)
a) Increase or decrease of residues of debts of debtors;		(13933)	(495)
b) Increase or decrease of residues of resources;		55586	(21261)
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		6883	1042
3. The gross cash flow of basic activity.		65897	44749
4. Corporate income tax paid		(330)	(576)
5. Real estate tax paid		(3902)	(5298)
6. The net cash flow of basic activity		61665	38875
8. The net cash flow of basic activity		61665	38875

1.	2.	3	4
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.			0
3. Purchase of fixed assets and nonmaterial investments		(5700)	(5299)

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		(5700)	(5299)
III. Financing activities			
1.	2.	5	8
			0
1. Proceeds from issue of shares and bond or participation shares of capital investments.			
2. Loans received		5754	
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(21928)	(31406)
5. Expenses for redemption of hired fixed assets			
6. Dividends paid			
7. Changes of reserves			
7. Net cash flow of financing activity		(16174)	(31406)
IV. The result of exchange rate fluctuations of foreign currency.			
		6469	5683
V. The net cash flow of year of account			
		46260	7853
VI. The reminder of currency and its equivalents at the beginning of year of account.			
		15566	108978
VII. The reminder of currency and its equivalents at the end of year of account.			
		61826	116831

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

STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS OF 2015

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
As of 31.December 2013	1306401	22193		275585	1604179
Current year profit				25282	25282
Reserve dividend paid	(21000)		21000		0
As of 31.December 2014	1285401	22193	21000	300867	1629461
dividend paid					
Current year profit				(20505)	(20505)
Reserves					
As of 30 September 2015	1285401	22193	21000	280362	1608956

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 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..
 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.

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.

	30.09.2015. EUR	30.09.2014. EUR
Trade debtors	209292	163916
Reserve for debts	28018	24915
Net Value trade debtors	181274	139001

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

- in public returns 656356 ,
- in closed register 261788.

48.36% (443976 equities) of share capital belongs to A/S "KURZEMES ATSLEGA", reg.40003253124.

28.15% (258470 equities) of share capital belongs to Oliver Wiederhold

5.3% (48844 equities) of share capital belongs to SIA "Aizputes atslēgas"

3. Other borrowings (long term creditors)

Creditors	30.09.2015. EUR	30.09.2014. EUR
Deferred tax	62700	63824
Deferred income	0	0
Total	62700	63824

4. Accounts payable to associated companies

Creditors	30.09.2015. EUR	30.09.2014. EUR
AS "Kurzemes atslēga"	1646	10782

5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.2015. EUR	30.09.2014. EUR
Income tax of inhabitants	5629	6972
Obligatory payments of the state social insurance	13384	13586
Value added tax	6700	0
Other tax	127	1485
Total	25840	22043

6. The rest of creditors.

Kind of creditors	30.09.2015. EUR	30.09.2014. EUR
Wages for September	21342	24570
Other creditors	4334	4519
Total	25676	29089

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.09.2015. EUR	30.09.2014. EUR
Incomings from production of locks and ironmongery	1249428	1556059
Incomings from sales of goods in shop	25626	26656
Incomings from rendering of services	64858	40986
Incomings from rendering of public facilities	22258	22224
Total:	1362170	1645925

2. Production costs of sales.

The main elements of expenses	30.09.2015. EUR	30.09.2014. EUR
Material costs	642258	833792
Wages	322584	354952
Obligatory payments of the state social insurance	74384	82084
Electrical energy	64867	76106
Costs of depreciation of fixed	39372	41172
Environment protection expenses	51981	49694
The rest of expenses	5823	6477
Wear of low value stock	5677	9624
Import duty	4578	6640
Services received	47001	50358
Expenses in total	1258525	1510899
Correction of expenses		
Changes of remains of unfinished production	8774	(4537)
Changes of remains self-made fixed assets	0	0
Changes of remains of self-made punches, molds and materials	(7031)	(16593)
Changes of remains of complete product	23003	20788
Total	1283271	1510557

3. Distribution expenses

The main elements of expenses	30.09.2015. EUR	30.09.2014. EUR
Wages	10755	11303
Social expenses	2485	2701
Marketing services	16354	26956
The rest of expenses	428	256
Total	30022	41216

4. Administration expenses.

The main elements of expenses	30.09.2015 EUR	30.09.2014. EUR
Wages	51275	52563
Social expenses	12115	12204
The rest of expenses	1331	1897
Telecommunication service	1110	1852
Cash turnover expenses	1552	3286
Total	67383	71802

5. The rest of incomes for economic activity

Sort of revenue	30.09.2015. EUR	30.09.2014 EUR
Sales of current assets	10340	16417
Sales of Fixed assets	6469	5683
The rest of incomes	714	290
Total	17523	22390

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.09.2015. EUR	30.09.2014. EUR
Expenses for social sphere	997	404
Expenses, unrelated with economic activity, donations	174	1419
Harm recompense	12276	12512
Other expenses	1112	431
Heads of expenditure	14559	14766

Chairman of Board:

Peteris Fridenbergs

Members of Board:

Voldemārs Magone

Aldis Ozols