

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

**FINANCIAL REPORT FOR FIRST 6 MONTHS
OF THE YEAR 2016
(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 2016– 30 June 2016
Members of Supervisory Council	Guntars Stekjanis – Chairman of Supervisory Council KURZEMES ATSLEGA 1", JSC, economist; Voldemārs Magone –Member of Supervisory Council KURZEMES ATSLEGA 1", JSC, Technical director. Rolands Līvmanis-Member of Supervisory Council, Janis Kārklīš - Member of Supervisory Council, Irena Burve – Member of Supervisory Council "Kurzemes Atslega 1", Chief Accountant
Members of Board	Aldis Ozols , Member of Board, "Kurzemes Atslega 1" JSC, production director Ieva Niedoliņa – Member of Board
Chairman of Board	Agris Kārklīš
Auditor	Certified Auditor Aivars Rutkis , 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 2016 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 730086 EUR in the 1st half of 2016 which is down by 15.4% or 133382 EUR in comparison with 1st half of 2015.

The 1st half of the 2016 has finalized with losses in amount of 96446 EUR.

Losses per stock 30.06.2016 - 0.11 EUR

Losses per stock 30.06.2015 - 0.04 EUR

Volume of sold production divides as follows:

- sold in local market (Latvia) – 60.9% or 444962 EUR. This is by 38462 EUR less than in the 1st half of 2015;
- EU deliveries -36.7% or 268149 EUR . 25923EUR This is by EUR less than in the 1st half of 2015;
- export – 2.4% or 17275 EUR, i.e. by 68997 EUR less than in the 1st half of 2015.

States	30.06.2016 EUR	%	30.06.2015 EUR	%
Latvia	444962	60.9	483424	56
Lithuania	165229	22.6	181435	21
Uzbekistan	0	0	70673	8.2
Estonia	88587	12.1	87883	10.2
Denmark	8301	1.1	10530	1.2
Russia	6436	0.9	15599	1.8
Finland	1161	0.2	0	0
Ukraine	10839	1.5	0	0
Germany	4871	0.7	14224	1.6
Total	730386	100	863768	100

Currently 79 employees are being employed in company. Average amount of employees in 6 months of the 2015 was 93.

Average salary 504 EUR . In 6 months of 2015 – 466 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 31,2016

Statement of responsibility of direction.

Non-audited report of the first 6 months 2016 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 2016 bears the Board of joint stock company “KURZEMES ATSLEGA 1”.

The Board of AS “KURZEMES ATSLEGA 1”:

Chairman of the Board Agris Karkliņš

Member of the Board Aldis Ozols

Member of the Board Ieva Niedoliņa

BALANCE SHEET FOR 6 MONTHS OF 2016

ASSETS 1	Row code	30.06.2016 EUR	31.12.2015 EUR
1.LONG TERM INVESTMENT			
1.Expenses of development		0	0
2.Concessions, patents, licenses		0	0
Total		0	0
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		532969	540524
2.Equipment and machinery		85887	98447
3.Other fixed assets		10365	12093
4.Fixed assets development costs		5822	5822
5.Prepayment for fixed assets			
II Total fixed assets		635043	656886
1.Total LONG TERM INVESTMENT		635043	656886
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		455337	463206
2.Work in progress		289224	287100
3.Finished goods and goods for sale		141021	114929
5.Advance payment for goods		44841	39981
I. Total inventories		930423	905216
II. Debtors			
1.Trade debtors		154158	187170
4.Other debtors		36147	52162
7.Deferred expenses		0	642
II. Total debtors		190305	239974
III. Securities and capital participation			
IV . Cash		16400	87459
2.Total current assets		1137128	1232649
Total assets		1772171	1889535

LIABILITIES 1	Row code	30.06.2016 EUR	31.12.2015 EUR
1.CAPITAL			
1.Share capital	1	1285401	1285401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves		21000	21000
4.Total reserves			
5.Retained profit		204914	301360
a) previous years retained profit		301360	300867
b)current year profit		(96446)	493
1Total Capital and reserves		1533508	1629954
2.PROVISIONS		22045	22045
3.CREDITORS			
1.Long term creditors			
Other loans			
.Amounts payable to associated companies			
Deferred tax		61025	61025
Deferred income		0	0
1.Total long term creditors		61025	61025
2.Short-term creditors			
3. Other loans		0	0
4. Bank loan		0	39324
5.Advances received from customers		21544	9080
6.Trade creditors		73442	66010
8.Amounts payable to associated companies		2150	1757
10.Taxes and social security payments	2	25423	23016
11.Other creditors	3	26391	26137
Deferred income		0	0
Deferred liabilities		6643	11187
2.Total short-term creditors		155593	176511
3.Total creditors		216618	237536
Total liabilities		1772171	1889535

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

Profit and loss account

N.	Item	line No	30.06.2016	30.06.2015
			EUR	EUR
1	Net sales	1	730386	863768
2	Cost of sales	2	(763685)	(833441)
3	Gross profit or loss		(33299)	30327
4	Distribution expenses	3	(13185)	(21485)
5	Administration expenses	4	(43535)	(44027)
6	Other operating income	5	7141	12554
7	Other operating expenses	6	(10275)	(9795)
8	Interest paid and similar expense		(557)	(830)
9	Operating profit		(93710)	(33256)
10	Extraordinary income			
11	Extraordinary expenses			
12	Profit or loss before taxes		(93710)	(33256)
13	Corporate income tax			
14	Other taxes		(2736)	(2654)
15	Deferred tax			
16	Net profit or loss for the year		(96446)	(35910)

Losses per stock 30.06.2016 0.11 EUR
 Losses per stock 30.06.2015 0.04 EUR

Chairman of Board:

Agris Karklins

Members of Board :

Aldis Ozols

Ieva Niedolina

Cash flow statement.
(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.06.2016.	30.06.2015.
		EUR	EUR
I. Operation activities			
1. Profit or loss before extraordinary items and taxes.		(93710)	(33256)
Correction			
s:			
a) Wear and tear of fixed assets;		21843	26366
b) Value cancellation of long-term investments;		0	0
c) Formation of reserves (except the reserves for unreliable debt);		0	0
d) Profit or loss from fluctuation of foreign currency exchange rate;		1029	(6284)
e) Interest payments and similar expenses		557	830
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		(70281)	(12344)
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		50593	13702
b) Increase or decrease of residues of resources;		(25207)	26003
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		18406	(9254)
3. The gross cash flow of basic activity.		(26489)	(18107)
4. Expenses for payments of enterprise income tax		(924)	0
5. Expenses for fixed asset tax payments		(2739)	(2654)
6. The net cash flow of basic activity		(30152)	(15453)
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.		0	0
9. Net cash flow used in investing activities		0	0
III. Financing activities			
2. Loans received		(39321)	(15113)
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(557)	(830)
7. Net cash flow of financing activity		(39878)	15943
IV. The result of exchange rate fluctuations of foreign currency.		(1029)	6284
V. The net cash flow of year of account		(71059)	5794
VI. The remainder of currency and its equivalents at the beginning of year of account.		87459	15566
VII. The remainder of currency and its equivalents at the end of year of account.		16400	21360

JSC "KURZEMES ATSLEGA 1"
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STATEMENT OF CHANGES IN EQUITY
FOR 6 MONTHS OF 2016
 (EUR)

	Share capital	Revaluation reserve	Share capital reserve	Retained profit	Total
As of 31.December 2014	1285401	22193	21000	300867	1629461
Current year profit				493	493
Share capital reserve dividend paid					
As of 31.December 2015	1285401	22193	21000	301360	1629954
dividend paid					
Current year profit				(96446)	(96446)
Revaluation reserve					
As of 30 June 2016	1285401	22193	21000	204914	1533508

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) 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.

	30.06.2016	30.06.2015
USD	1.102	1.1189

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.no.40003253124.

26% (239121 equites) of share capital belongs to Oliwer Wiederhold.

6.4%(58481 equites) of share capital belongs to SIA’’Aizputes atslēgas’’ reg.no.42103001587

Information about limitations concerning share expropriation rights.

Restrictions for expropriation of shares or specific consent reception for shares disposal have not been set.

Shareholders’ rights and agreements.

Regulated by laws and regulations of the Republic of Latvia, the Companys’ Statutes does not define any special limitations or Company does any information about agreements between shareholders.

Powers of the Board Members and special agreements.

According to the Statutes of the JSC ‘Kurzemes Atslega 1’’, the Company shall be represented either by chairman of the Board alone or other two Board members together.

There is no agreement between the Company and the Board members concerning the compensation of resignation.

Regulations of Board Members elections and Statute amendments .

Regulated by laws and regulations of the Republic of Latvia ,the Company’s Statutes does not define any special limitations or regulations related to the elections of Board members and Statute amendments.

2. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.06.2016 EUR	31.12.2015 EUR
Income tax of inhabitants	6165	5858
Obligatory payments of the state social insurance	13536	13589
Other tax	5722	3569
Total	25423	23016

6. The rest of creditors.

Kind of creditors	30.06.2015 EUR	31.12.2015 EUR
Wages for June	22134	21855
Other creditors	2890	1355
Harm recompense	1367	2927
Total	26391	26137

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.2016 EUR	30.06.2015 EUR
Incomings from production of locks and ironmongery	681422	801869
Incomings from rendering of services	48964	61899
Total:	730386	863768

2. Production costs of sales.

The main elements of expenses	30.06.2015 EUR	30.06.2015 EUR
Material costs	407354	415951
Wages	197920	219008
Obligatory payments of the state social insurance	45464	50449
Electrical energy	45094	42967
Costs of depreciation of fixed	21843	26366
The rest of expenses	30535	35655
Import duty	2316	3040
Services received	41517	30101
Expenses in total	792043	823537
Correction of expenses		
Changes of remains of unfinished production	(2124)	9452
Changes of remains of self-made punches, molds and materials	(143)	(5730)
Changes of remains of complete product	(26091)	6182
Total	763685	833441

3. Distribution expenses

The main elements of expenses	30.06.2016 EUR	30.06.2015 EUR
Wages	5669	7460
Social expenses	1315	1722
Marketing Services	6074	11976
The rest of expenses	127	327
Total	13185	21485

4. Administration expenses.

The main elements of expenses	30.06.2016 EUR	30.06.2015 EUR
Wages	33228	33477
Social expenses	7922	7986
Telecommunication service	680	876
Cash turnover expenses	560	609
The rest of expenses	1145	1079
Total	43535	44027

5. The rest of incomes for economic activity

Sort of revenue	30.06.2016 EUR	30.06.2015 EUR
Sales of current assets	7141	5818
Incomes from exchange rate fluctuations	0	6023
The rest of incomes	0	713
Total	7141	12554

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.2016 EUR	30.06.2015 EUR
Expenses for social sphere	617	383
Harm recompense	8228	8212
Expenses, unrelated with economic activity, donations	334	1087
Other	67	113
Loss from fluctuation of foreign currency exchange rate;	1029	0
Total	10275	9795