

JOINT STOCK COMPANY

‘KURZEMES ATSLEGA 1’

LV40003044007

**FINANCIAL REPORT FOR FIRST 6 MONTHS
OF THE YEAR 2018
(NON-AUDITED)**

Contents

1. Information on enterprise	3
2. Report of Direction and Statement of responsibility of direction	4
3. Balance sheet	8
4. Profit and loss account.....	10
5. Cash flow statement	11
6. Statement of changes in equity	12
7. Accounting policy.....	13
8. Information for the ‘Balance sheet’.....	16
9. Information for the ‘Profit and loss account’.....	17

1.Information on enterprise.

Name	” KURZEMES ATSLĒGA 1”
Legal status	Joint stock company
Registration number, place and date	40003044007,Riga, 29.11.1991
Register	Registration in the Commercial on 11 June 2004
Legal address	27 Kalvenes str.,Aizpute,LV3456
Main activities: NACE 2.red	2572-door locks,ironware,furniture fittings
Shareholders an their shares %	JSC”Kurzemes atslega”- 48.36% Olivers Wiederholds – 16.9 % SIA”Aizputes atslegas” – 8.5 % Liepājas rajona SIA firma’Gutta”-6.8% Others –19.4% Council and board members do not own shares.
Members of Supervisory Council	Guntars Stekjānis – Chairman of Supervisory Council Voldemārs Magone - Member of Supervisory Council Rolands Livmanis - Member of Supervisory Council Jānis Karkliņš - Member of Supervisory Council Irēna Burve - - Member of Supervisory Council
Members of Board	Peteris Fridenbergs-Chairman of Board Aldis Ozols - Member of Board Aiga Ozola –Member of Board
Cief account	Irēna Burve
Reporting period	01.01.2018 – 30.06.2018
Previous reporting period	01.01.2017 – 30.06.2017
Auditors	SIA”Nexia Audit Advice (License no 134) Certified auditor Marija Jansone (Certificate Nr.25)

Managerial report

Company's action during reporting period

The action type of the Joint Stock Company "KURZEMES ATSLEGA 1" has not changed during the 1st half of the 2018 in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, production tools etc. are still being produced.

The fixed capital of the JSC "KURZEMES ATSLEGA 1" is 1285401 EUR. Net turnover has reached 862780 EUR in the 1st half of 2018 which is up by 2.1% or 17807 EUR in comparison with the 1st half of the 2017.

Volume of sold production divides as follows:

sold in local market (Latvia) – 61.9% or 534097 EUR. This is by 58856 EUR more than in the 1st half of the 2017.

Sold in EU – 37.4% or 322347EUR, i.e. up by 25254 EUR than in the 1st half of 2017.

Export – 0.7% or 6336 EUR.

State	30.06.2018 EUR	%	30.06.2017 EUR	%
Latvia	534097	61.9	475241	56.2
Lithuania	163558	19	197033	23.3
Uzbekistan	0	0	72639	8.6
Estonia	97957	11.4	69136	8.2
The Netherlands	31086	3.6	0	0
Denmark	3136	0.3	23004	2.7
Russia	6336	0.7	0	0
Finland	0	0	2140	0.3
Germany	19710	2.3	5780	0.7
Sweden	6900	0.8	0	0
Total	862780	100	844973	100

Currently 84 employees are being employed in Company. Average amount of the employees in 6 months of the 2017 was 79.

The Company's financial performance and financial situation

The 1st half of the 2018 has finalized with profit in amount of 373 EUR.

Labor costs have risen, raw material costs are rising.

Company has no tax arrears. Financial activity of the Company has provided mainly with its own assets, the loan facility in amount of 58000 EUR has been linked.

Financial risk management

The main financial risks associated with the Company's financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Company is subject to interest rate risk mainly due to short-term loan facility and borrowings from other companies. Borrowing compared to equity is low. Both fixed and variable interest rates are being applied.

Liquidity risk

The Company controls its liquidity risk by maintaining an adequate amount of money or by providing adequate financing through loan facility granted by bank.

Currency risk

The Company is subject to foreign exchange risk in relation to the US dollar. In order to control currency risk, the Company plans to purchase the necessary material resources for the currency.

Credit risk

The Company is exposed to credit risk in relation to its customers debts. The Company controls its credit risk by continuously assessing the debt repayment history of its customers and setting lending rules for each client individually.

Additionally, the Company monitors the amount of receivables to reduce the possibility of recovering unrecoverable debts.

The further development of the Company and future prospects

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

Board of JSC "KURZEMES ATSLEGA 1"

Chairman of the Board:

Peteris Fridenbergs

Board members:

Aldis Ozols

Aiga Ozola

Aizpute , August 31,2018

Statement of responsibility of direction.

Non-audited report of the first 6 months 2018 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 2018 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	Aldis Ozols
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Member of the Board	Aiga Ozola
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BALANCE SHEET FOR 6 MONTHS OF 2018

ASSETS 1	Row code	30.06.2018 EUR	30.06.2017 EUR
1.LONG TERM INVESTMENT			
1.Expenses of development		0	0
2.Concessions, patents, licenses		363	0
Total		363	0
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		502879	517906
2.Equipment and machinery		57826	72291
3.Other fixed assets		9383	9784
4.Fixed assets development costs		5822	5822
5.Prepayment for fixed assets		0	0
II Total fixed assets		575910	605803
1.Total LONG TERM INVESTMENT		576273	605803
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		361006	367977
2.Work in progress		346225	285135
3.Finished goods and goods for sale		121610	104032
5.Advance payment for goods		29477	26165
I. Total inventories		858318	783309
II. Debtors			
1.Trade debtors		213584	163708
4.Other debtors		38209	14757
7.Deferred expenses		0	0
II. Total debtors		251793	178465
III. Securities and capital participation			
IV . Cash		17482	24671
2.Total current assets		1127593	986445
Total assets		1703866	1592248

LIABILITIES 1	Row code	30.06.2018 EUR	30.06.2017 EUR
1.CAPITAL			
1.Share capital	1	1285401	1285401
3.Revaluation reserve		0	22193
4.Reserves			
a)legal reserves		21000	21000
4.Total reserves			
5.Retained profit		94887	(24184)
a) previous years retained profit		94514	72894
b)current year profit		373	(97078)
1Total Capital and reserves		1401288	1304410
2.PROVISIONS			
3.CREDITORS			
1.Long term creditors			
Other loans			
.Amounts payable to associated companies			
Deferred tax		0	57148
Deferred income		0	0
1.Total long term creditors		0	57148
2.Short-term creditors			
3. Other loans		0	0
4..Bank loan		46140	23686
5.Advances received from customers		35350	15598
6.Trade creditors		99331	83925
8.Amounts payable to associated companies		27513	2636
10.Taxes and social security payments	2	27637	35799
11.Other creditors	3	27920	30333
Deferred income		0	0
Deferred liabilities		38687	38713
2.Total short-term creditors		302578	230690
3.Total creditors		302578	287838
Total liabilities		1703866	1592248

Chairman of Board:

Pēteris Frīdenbergs

Members of Board :

Aldis Ozols

Members of Board :

Aiga Ozola

Chief accountant

Irēna Burve

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

Profit and loss account

N.	Item	line No	30.06.2018	30.06.2017
			EUR	EUR
1	Net sales	1	862780	844973
2	Cost of sales	2	(808340)	(864026)
3	Gross profit or loss		54440	(19053)
4	Distribution expenses	3	(21129)	(34526)
5	Administration expenses	4	(43639)	(37175)
6	Other operating income	5	22347	14594
7	Other operating expenses	6	(10591)	(20173)
8	Interest paid and similar expense		(783)	(745)
9	Operating profit		645	(97078)
10	Extraordinary income		0	0
11	Extraordinary expenses		0	0
12	Profit or loss before taxes		645	(97078)
13	Corporate income tax		(272)	0
14	Other taxes		0	0
15	Net profit or loss for the year		373	(97078)

Chairman of Board:

Pēteris Frīdenbergs

Members of Board :

Aldis Ozols

Members of Board :

Aiga Ozola

Chief accountant

Irēna Burve

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

Indices	Appendices	30.06.2018.	30.06.2017.
		EUR	EUR
I. Operation activities			
1. Profit or loss before extraordinary items and taxes.		645	(97078)
Correction s:			
a) Wear and tear of fixed assets;		15973	17377
b) Value cancellation of long-term investments;			0
c) Formation of reserves (except the reserves for unreliable debt);			0
d) Profit or loss from fluctuation of foreign currency exchange rate;		-53	2427
e) Interest payments and similar expenses		783	745
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		17348	(76529)
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		(418)	(16690)
b) Increase or decrease of residues of resources;		(78347)	82612
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		49022	34739
3. The gross cash flow of basic activity.		(12395)	24132
4. Expenses for payments of enterprise income tax		(272)	0
5. Expenses for fixed asset tax payments		0	0
6. The net cash flow of basic activity		(12667)	24132
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.		0	0
9. Net cash flow used in investing activities		(4036)	(2305)
III. Financing activities			
2. Loans received		(8682)	(10543)
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(783)	(745)
7. Net cash flow of financing activity		(26168)	10539
IV. The result of exchange rate fluctuations of foreign currency.		53	(2427)
V. The net cash flow of year of account		(26115)	8112
VI. The remainder of currency and its equivalents at the beginning of year of account.		43597	16559
VII. The remainder of currency and its equivalents at the end of year of account.		17482	24671

STATEMENT OF CHANGES IN EQUITY

	30.06.2018	31.12.2017
	EUR	EUR
<u>Share capital</u>		
Amount indicated in the balance sheet of the previous year	1285401	1285401
Amount indicated at the end balance sheet of the balance sheet of the financial year	1285401	1285401
<u>Reserves</u>		
Amount indicated in the balance sheet of the previous year	21000	43193
Reserves decrease trough the share capital	0	(22193)
Amount indicated at the end of the period in the balance sheet of the financial year	21000	21000
<u>Retained earnings</u>		
Amount indicated in the balance sheet of the previous year	94514	72894
Increase/decrease in retained earnings	373	21620
Amount indicated at the end of the period in the balance sheet of the financial year	948887	94514
<u>Equity</u>		
Amount indicated in the balance sheet of the previous year	1400916	1401489
Amount indicated at the end of the period in the balance sheet of the financial year	1401288	1400916

Accounting policy .

General Principles.

The financial statements have been prepared in accordance with laws of the Republic of Latvia "On Accounting and the Annual Accounts and consolidated annual accounts of the law" , " and the "Fincial Instruments Market Law'', Regulations no 775 issued by the Cabinet of Ministers of the Republic of Latvia."

Profit and Loss are accounted in accordance with the vertical form method(classified after expenses function) . The cash flow statement is prepared using the indirect method.

Applied accounting principles.

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

	30.06.2018	30.06.2017
USD	1.1658	1.1413

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.

VIII 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.

IX Deferred tax liabilities

20. are the corporate income tax amounts to be paid in the next accounting years and relates to temporary differences, which are subject to this tax. Deferred income tax is calculated using the liability method in respect of the temporary differences between the asset and liability amounts in the financial statements and their values for tax purposes, caused by time displacement. Deferred tax is calculated by applying the statutory 15% tax rate. These temporary differences have mainly occurred by using different intangible assets and depreciation rates of fixed assets for accounting and tax purposes, from provisions for slow-moving inventory and unused vacations, from provisions for doubtful debts where by management estimation will satisfy the criteria of article 9 of the "Law On Corporate Income Tax", as well as from tax losses carried over to subsequent taxable periods. In cases where the total deferred tax result is shown in the balance assets, it is to be included in the financial statements only if recovery is definite.

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.

16.9% (155615 equites) of share capital belongs to Oliwer Wiederhold.

8.5%(78117 equites) of share capital belongs to SIA’’Aizputes atslēgas’’ reg.no 42103001587

6.8% (62098equites) of share capital belongs to SIA ‘Gutta’’ 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 ‘Kurzemis 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	30.06.2018 EUR	30.06.2017 EUR
Income tax of inhabitants	5091	7416
Obligatory payments of the state social insurance	16011	18648
Other tax	6535	9735
Total	27637	35799

6. The rest of creditors.

Kind of creditors	30.06.2018 EUR	30.06.2017 EUR
Wages for June	25842	25566
Other creditors	1278	3398
Harm recompense	800	1378
Total	27920	30333

Information for the "Profit and loss account".

1. Net sales

Modus operandi	30.06.2018 EUR	30.06.2017 EUR
Incomings from production of locks and ironmongery	770164	770984
Incomings from rendering of services	92616	73989
Total:	862780	844973

2. Production costs of sales.

The main elements of expenses	30.06.2018 EUR	30.06.2017 EUR
Material costs	474193	413058
Wages	245929	232814
Obligatory payments of the state social insurance	58328	53726
Electrical energy	48463	47858
Costs of depreciation of fixed	15973	18423
The rest of expenses	42693	22045
Import duty	2227	1454
Services received	15313	34825
Expenses in total	903119	824203
Correction of expenses		
Changes of remains of unfinished production	(62238)	35007
Changes of remains of self-made punches, molds and materials	0	0
Changes of remains of complete product	(32541)	4817
Total	808340	864026

3. Distribution expenses

The main elements of expenses	30.06.2018 EUR	30.06.2017 EUR
Wages	2855	6666
Social expenses	696	1572
Marketing Services	8121	18280
The rest of expenses	9457	8008
Total	21129	34526

4. Administration expenses.

The main elements of expenses	30.06.2018 EUR	30.06.2017 EUR
Wages	32702	26346
Social expenses	7754	6165
Telecommunication service	826	731
Cash turnover expenses	645	1576
The rest of expenses	1712	2357
Total	43639	37175

5. The rest of incomes for economic activity

Sort of revenue	30.06.2018 EUR	30.06.2017 EUR
Sales of current assets	18904	14420
Incomes from exchange rate fluctuations	1756	174
Other incomes	1687	0
Total	22347	14594

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	30.06.2018 EUR	30.06.2017 EUR
Expenses for social sphere	751	594
Harm recompense	7744	8299
Expenses, unrelated with economic activity, donations	336	161
Other	57	8517
Loss from fluctuation of foreign currency exchange rate;	1703	2602
Total	10591	20173