

**JOINT STOCK COMPANY**

**‘KURZEMES ATSLEGA 1’  
LV40003044007**

**FINANCIAL REPORT FOR FIRST 9MONTHS  
OF THE YEAR 2016  
(NON-AUDITED)**

## Contents

<b>1. Information on enterprise</b>	<b>3</b>
<b>2. Management report</b>	<b>4</b>
<b>3. Balance sheet</b>	<b>7</b>
<b>4. Profit and loss account</b>	<b>9</b>
<b>5. Cash flow statement</b>	<b>10</b>
<b>6. Statement of changes in equity</b>	<b>11</b>
<b>7. Accounting policy</b>	<b>12</b>
<b>8. Information for the "Balance sheet"</b>	<b>16</b>
<b>9. Information for the "Profit and loss account"</b>	<b>18</b>

## 1.Information on enterprise.

Name	” KURZEMES ATSLEGA 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
Shareholders an their shares %	JSC”Kurzemes atslega” - 48.36% Olivers Wiederholds – 24.88% SIA”Aizputes atslegas” – 5.3 % Others 21.46% Council and board members do not own shares.
Members of Supervisory Council	Guntars Stekjanis – Chairman of Supervisory Council  Voldemars Magone - Member of Supervisory Council  Rolands Livmanis - Member of Supervisory Council  Janis Karklins - Member of Supervisory Council  Irena Burve - - Member of Supervisory Council
Members of Board	Agris Karklins - Chairman of Board  Aldis Ozols - Member of Board  Ieva Niedolina - Member of Board
Reporting period	01.01.2016 – 30.09.2016
Previous reporting period	01.01.2015 – 30.09.2015
Auditors	Aivars Rutkis Certified Auditor 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 - 1157134 EUR which is down by 15.1% or 205036 EUR in comparison with 9 months of 2015.

The 9 months of the 2016 has finalized with losses in amount of 125458 EUR.

Loss per stock on 30.09.2016 - 0.14EUR

Volume of sold production divides as follows:

- sold in local market (Latvia) – 56.9% ;
- EU deliveries – 37.5 %
- export – 5.6 %

State	9 months of the 2016		9 months of the 2015	
	EUR	%	EUR	%
Latvia	658291	58.1	791389	47.5
Lithuania	256382	18.6	253924	16.2
Uzbekistan	58859	10.6	144643	12.9
Estonia	141741	9.1	123209	7.2
Russia	6436	1.7	22992	1.8
Other	35425	1.9	26013	3.1
Total	1157134	100	1362170	100

Volume of sold production divided as follows:

9 months of the 2015

- sold in local market (Latvia) – 58.1%,
- EU deliveries – 29.6%
- export – 12.3 %

Number of employees in 9 months of the 2016 is 79, average wage 506.4 EUR. Number of employees in 9 months of 2015 was 90, average wage 474 EUR. Average salary is up by 6.8% in comparison with corresponding period of previous year.

The Company has no tax and other arrears due to state and municipal budget.

Financial activity of the Company has provided mainly with its own assets, the loan facility in amount of 70000 EUR has been linked.

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

The cooperation with the leading Latvian construction companies will be continued, in order to acquire the production of new building structures.

During the period of the last day of the accounting year till signing these financial statements, there have been no events that could substantially affect the information reflected in these financial reports and that may result in further adjustments or should be clarified.

**Statement of responsibility of direction.**

Non-audited report of the first 9 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 9 months 2016 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

**Chairman of the Board**

**Agris Karklins**

## BALANCE SHEET FOR 9 MONTHS OF 2016

ASSETS 1	Row code	30.09.2016. EUR	30.09.2015. EUR
<b>1.LONG TERM INVESTMENT</b>			
1.Concessions, patents, licenses		0	0
2. Expenses of development		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.		529191	544302
2.Equipment and machinery		60717	105532
3.Other fixed assets		8334	12526
4.Fixed assets development costs		21670	6732
5.Prepayment for fixed assets		0	0
II Total fixed assets		<b>619912</b>	<b>669092</b>
1.Total LONG TERM INVESTMENT		<b>619912</b>	<b>669092</b>
<b>2.CURRENT ASSETS</b>			
1.Inventories			
1.Raw materials		494852	513708
2.Work in progress		284687	281306
3.Finished goods and goods for sale		122112	128307
5.Advance payment for goods		7476	22494
I. Total inventories		<b>909127</b>	<b>945815</b>
II. Debtors			
1.Trade debtors	1	152878	181274
4.Other debtors		28494	20631
7.Deferred expenses		0	81
II. Total debtors		<b>181372</b>	<b>201986</b>
III. Securities and capital participation			
IV . Cash		68705	61826
2.Total current assets		<b>1159204</b>	<b>1209627</b>
<b>Total assets</b>		<b>1779116</b>	<b>1878719</b>

LIABILITIES 1	Row code	30.09.2016. EUR	30.09.2015. 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		301360	300867
current year profit		(125458)	(20505)
1Total Capital and reserves		<b>1504496</b>	<b>1608956</b>
2.PROVISIONS		22045	25256
3.CREDITORS			
1.Long term creditors			
Deferred tax	3	61025	62700
1.Total long term creditors		<b>61025</b>	<b>62700</b>
2.Short-term creditors			
3. Other loans		0	5754
4..Bank loan		24600	0
5.Advances received from customers		16717	9397
6.Trade creditors		95297	105907
8.Accounts payable to associated companies	4	0	1646
10.Taxes and social security payments	5	21016	25840
11.Other creditors	6	25797	25676
Deferred income			
Deferred liabilities		8123	7587
2. Total short-term creditors		191550	181807
Total creditors		<b>252575</b>	<b>244507</b>
Total liabilities		<b>1779116</b>	<b>1878719</b>

The accompanying notes on pages 12.-19..are an integral part of these financial statements

**Chairman of the Board**

**Agris Karklins**



#### 4. Profit and loss account

N.	Item	line No	30.09.2016.	30.09.2015.
			EUR	EUR
1	Net sales	1	1157134	1362170
2	Cost of sales	2	(1183653)	(1283271)
3	Gross profit		(26519)	78899
4	Distribution expenses	3	(36077)	(30022)
5	Administration expenses	4	(62548)	(67383)
6	Other operating income	5	25714	17523
7	Other operating expenses	6	(21234)	(14559)
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		(733)	(1061)
13	Operating profit		(121397)	(16603)
14	Extraordinary income			
15	Extraordinary expenses			
16	Profit before taxes		(121397)	(16603)
16	Corporate income tax			
17	Other taxes		(4061)	(3902)
18	<b>Net profit for the year</b>		<b>(125458)</b>	<b>(20505)</b>

The accompanying notes on pages 12.-19..are an integral part of these financial statements

**Chairman of the Board**

**Agris Karklins**

### 2.3.Cash flow statement.

(Cash flow statement, prepared using indirect method)

Indices	Appendices	30.09.2016.	30.09.2015.
		EUR	EUR
<b>I. Operation activities</b>			
1. Profit or loss before extraordinary items and taxes.		(121397)	(16603)
Corrections:			
a) Wear and tear of fixed assets;		42287	39372
b) Value cancellation if long-term investments;			0
c) Formation of reserves (except the reserves for unreliable debt);			
d) Profit or loss from fluctuation of foreign currency exchange rate;		1248	(6469)
e) Interest received		733	1061
f) Proceeds from partnership in capital of subsidiary company and associated enterprises			
g) Proceeds from no securities and loans, that have been made long-term investment			
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		(77129)	17361
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		59262	(13933)
b) Increase or decrease of residues of resources;		(3911)	55586
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		31634	6383
3. The gross cash flow of basic activity.		9856	65897
4. Expenses for payments of enterprise income tax		(2680)	(330)
5. Expenses for fixed asset tax payments		(4061)	(3902)
<b>6. The net cash flow of basic activity</b>		<b>3115</b>	<b>61665</b>
<b>II. Investing activities</b>			
1 Purchase of fixed assets and nonmaterial investments		(5164)	(5700)
<b>9. Net cash flow used in investing activities</b>		<b>(5164)</b>	<b>(5700)</b>
<b>III. Financing activities</b>			
2. Loans received		(14724)	5754
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(733)	(21928)
<b>7. Net cash flow of financing activity</b>		<b>(15457)</b>	<b>(16174)</b>
<b>IV. The result of exchange rate fluctuations of foreign currency.</b>		<b>(1248)</b>	<b>6469</b>
<b>V. The net cash flow of year of account</b>		<b>(18754)</b>	<b>46260</b>
<b>VI. The reminder of currency and its equivalents at the beginning of year of account.</b>		87459	15566
<b>VII. The reminder of currency and its equivalents at the end of year of account.</b>		68705	61826

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

## STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS OF 2016

(EUR)

	Share capital	Revaluation reserve	Reserves	Retained profit	Total
<b>As of 31.December 2014</b>	1285401	22193	21000	300867	1629461
Current year profit				493	493
Reserve					
dividend paid					
<b>As of 31.December 2015</b>	1285401	22193	21000	301360	1629954
dividend paid					
Current year profit				(125458)	(125458)
Reserves					
<b>As of 30 September 2016</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>175902</b>	<b>1504496</b>

**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

	30.09.2016
USD	1.1161

### **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

## Information for the ‘Balance sheet’.

### 1. Trade debtors.

	30.09.2016. EUR	30.09.2015. EUR
Trade debtors	175701	209292
Reserve for debts	22823	28018
Net Value trade debtors	<b>152878</b>	<b>181274</b>

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.

24.88% (228403 equities) of share capital belongs to Oliver Wiederhold

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

### **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 Company’s 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.



### 3. Other borrowings (long term creditors)

Creditors	30.09.2016. EUR	30.09.2015. EUR
Deferred tax	61025	62700
Deferred income	0	0
<b>Total</b>	<b>61025</b>	<b>62700</b>

### 4. Accounts payable to associated companies

Creditors	30.09.2016. EUR	30.09.2015. EUR
AS "Kurzemes atslēga"	0	1646

### 5. Taxes and Obligatory payments of the state social insurance

Kind of taxes	30.09.2016. EUR	30.09.2015. EUR
Income tax of inhabitants	6190	5629
Obligatory payments of the state social insurance	13435	13384
Value added tax	1219	6700
Other tax	172	127
<b>Total</b>	<b>21016</b>	<b>25840</b>

### 6. The rest of creditors.

Kind of creditors	30.09.2016. EUR	30.09.2015. EUR
Wages for September	21530	21342
Other creditors	4267	4334
<b>Total</b>	<b>25797</b>	<b>25676</b>

Information for the "Profit and loss account".

**1. Net sales**

<b>Modus operandi</b>	30.09.2016. EUR	30.09.2015. EUR
Incomings from production of locks and ironmongery	1071039	1249428
Incomings from sales of goods in shop	24930	25626
Incomings from rendering of services	34189	64858
Incomings from rendering of public facilities	26976	22258
<b>Total:</b>	<b>1157134</b>	<b>1362170</b>

**2. Production costs of sales.**

<b>The main elements of expenses</b>	30.09.2016. EUR	30.09.2015. EUR
Material costs	594584	642258
Wages	301405	322584
Obligatory payments of the state social insurance	69066	74384
Electrical energy	68314	64867
Costs of depreciation of fixed	42287	39372
Environment protection expenses	39050	57658
The rest of expenses	5839	5823
Import duty	4128	4578
Services received	64050	47001
<b>Expenses in total</b>	<b>1188723</b>	<b>1258525</b>
Correction of expenses		
Changes of remains of unfinished production	2412	8774
Changes of remains self-made fixed assets	0	0
Changes of remains of self-made punches, molds and materials	(299)	(7031)
Changes of remains of complete product	(7183)	23003
<b>Total</b>	<b>1183653</b>	<b>1283271</b>

## 3. Distribution expenses

<b>The main elements of expenses</b>	30.09.2016. EUR	30.09.2015. EUR
Wages	8285	10755
Social expenses	1932	2485
Marketing services	22439	16354
The rest of expenses	3421	428
<b>Total</b>	<b>36077</b>	<b>30022</b>

## 4. Administration expenses.

<b>The main elements of expenses</b>	30.09.2016 EUR	30.09.2015. EUR
Wages	47421	51275
Social expenses	11222	12115
The rest of expenses	1068	1331
Telecommunication service	1073	1110
Cash turnover expenses	1764	1552
<b>Total</b>	<b>62548</b>	<b>67383</b>

## 5. The rest of incomes for economic activity

Sort of revenue	30.09.2016. EUR	30.09.2015 EUR
Sales of current assets	24906	10340
Sales of Fixed assets	803	6469
The rest of incomes	5	714
<b>Total</b>	<b>25714</b>	<b>17523</b>

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

Heads of expenditure	30.09.2016. EUR	30.09.2015. EUR
Expenses for social sphere	967	997
Losses from exchange rate fluctuations	2051	0
Expenses, unrelated with economic activity, donations	5533	174
Harm recompense	12329	12276
Other expenses	354	1112
<b>Heads of expenditure</b>	<b>21234</b>	<b>14559</b>

Chairman of Board:

Agris Karklins