

JOINT STOCK COMPANY
“KURZEMES ATSLEGA 1”
LV40003044007

Non-audited
FINANCIAL REPORT
31 March 2016

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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	January 1, 2016– March 31, 2016
Members of Supervisory Council	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	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	Peteris Fridenbergs
Auditor	Sworn auditor Aivars Rutkis ,LACA Certificate No 18

May 31 2016

Aizpute

Statement of responsibility of direction.

Non-audited report of first quarter 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 first quarter 2016 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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Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” has not changed during the 1st quarter of 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 354764 EUR in the 1st quarter of 2016 which is down by 135692 EUR or 27.7% in comparison with the same period of the last year. The first quarter of 2016 has finalized with losses in amount of 72633 EUR.

Average number of employees during the 1st quarter is 79.

Volume of sold production divides as follows:

- sold in local market (Latvia) – 61.9 %,
- EU - 35%
- Export – 3.1%.

States	3 months of the 2016th EUR	%	3 months of the 2015th	%
Latvia	219624	61.9	232734	47.4
Lithuania	77588	21.9	98441	20.1
Uzbekistan	0	0	70673	14.4
Estonia	41842	11.8	53845	11
Ukraine	10839	3.1	0	0
Russia	0	0	15599	3.2
Denmark	0	0	10530	2.1
Germany	4871	1.3	8634	1.8
Total	354 764	100	490 456	100

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.

To ensure financial risk management JSC “Kurzemes atslega 1” follows-up the liquidity, regularly controls the cash flow of the enterprise. To achieve profitable activity, the board considers taking tight control over costs and should curtail expenses as well as find new outlets for the production.

BALANCE SHEET on 31 March 2016

ASSETS	Note nr	31.03.2016	31.03.2015
1		EUR	EUR
1.LONG TERM INVESTMENT			
1.Development costs		0	0
2.Concesions, patents, licences		0	0
Total		0	0
I. Intangible fixed assets			
II. Fixed assets			
1. Land, building.		536746	551857
2.Equipment and machinery		92123	116366
3.Other fixed assets		11212	14594
4.Fixed assets development costs		5822	6732
II Total fixed assets		645903	689549
1.Total LONG TERM INVESTMENT		645903	689549
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		469820	534060
2.Work in progress		288759	285030
3.Finished goods and goods for sale		146572	122143
5.Advance payment for goods		12903	31719
I. Total inventories		918054	972952
II. Debtors			
1.Trade debtors		158420	171557
4.Other debtors	1	39891	34803
7.Deferred expenses		642	81
II. Total debtors		198953	206441
III. Securities and capital participation			
IV . Cash		31586	36318
2.Total current assets		1148593	1215711
Total assets		1794496	1905260

LIABILITIES	Note nr	31.03.2016	31.03.2015
1		EUR	EUR
1.CAPITAL			
1.Share capital	2	1285401	1285401
2.Revaluation reserve		22193	22193
3.Share capital reserve		21000	21000
4.Total			
5.Retained profit		301359	296284
a) previous years retained profit		(72632)	(27538)
current year profit			
1Total Capital and reserves		1557321	1597340
2.PROVISIONS		22045	25256
3.CREDITORS			
1.Long term creditors			
1.Other loans		0	0
2.Amounts payable to associated companies		0	0
3.Deferred tax	3	61025	62700
4.Deferred income		0	0
Total long term creditors		61025	62700
Short-term creditors			
1. Other loans			
2.Bank loan	4	18639	47872
3.Advances received from customers		9702	18596
4.Trade creditors		61533	92083
5.Amounts payable to associated companies	5	4255	2064
6.Taxes and social security payments	6	25341	26955
7.Other creditors	7	26471	24449
10.Accrued liabilities		8164	7945
Total short-term creditors		154105	219964
Total creditors		215130	282664
Total liabilities		1794496	1905260

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

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

N.	Item	Note nr.	31.03.2016	31.03.2015
			EUR	EUR
1	Net sales	1	354764	490456
2	Cost of sales	2	(393201)	(485479)
3	Gross profit		(38437)	4977
4	Distribution expenses	3	(6629)	(10891)
5	Administration expenses	4	(22966)	(22745)
6	Other operating income	5	2832	8174
7	Other operating expenses	6	(5683)	(5280)
8	Income from participation in subsidiary capital		(70883)	(25765)
9	Interest paid and similar expense		(338)	(443)
10	Operating profit		(71221)	(26208)
11	Extraordinary income		0	0
12	Extraordinary expenses		0	0
13	Profit before taxes		(71221)	(26208)
14	Corporate income tax		0	0
15	Other taxes		(1411)	(1330)
16	Net profit for the year		(72632)	(27538)

Losses per stock 31.03.2016 0.08 EUR

Losses per stock 31.03.2015 -0.02 EUR

Chairman of Board:

Peteris Fridenbergis

Members of Board :

Aldis Ozols

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

Indices	Appendices	31.03.2016.	31.03.2015.
		EUR	EUR
I. Operation activities			
1. Profit or loss before extraordinary items and taxes.		(71221)	(26208)
Correction s:			
a) Wear and tear of fixed assets;		10983	13215
b) Value cancellation if 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;		1200	(6284)
e) Interest payments and similar expenses		338	443
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		(58700)	(18834)
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		41681	(19802)
b) Increase or decrease of residues of resources;		(12838)	28449
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		(2601)	(680)
3. The gross cash flow of basic activity.		(32458)	(10867)
4. Expenses for payments of enterprise income tax		219	103
5. Expenses for fixed asset tax payments		(1411)	(1330)
6. The net cash flow of basic activity		(33650)	(12094)
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		(20685)	27005
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(338)	(443)
7. Net cash flow of financing activity		(21023)	26562
IV. The result of exchange rate fluctuations of foreign currency.		(1200)	6284
V. The net cash flow of year of account		(55873)	20752
VI. The reminder of currency and its equivalents at the beginning of year of account.		87459	15566
VII. The reminder of currency and its equivalents at the end of year of account.		31586	36318

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share capital reserve	Revaluation reserve	Retained profit	Prior period retained profit	Total
As of 31.December 2014	1285401	21000	22193	25282	275585	1629461
Year 2014 of account profit (loss)	0	0	0	(25282)	25282	0
Revaluation reserve	0	0	0	0	0	0
As of 31.December 2015	1285401	21000	22193	493	300867	1629953
Cu Year 2015 of account profit (loss)	0	0	0	(493)	493	0
Revaluation reserve						
Current year loss				(72632)		(72632)
As of 31 March 2016	1285401	21000	22193	(72632)	301359	1557321

Accounting policy

I. General 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 Latvian lats. All dealings in foreign currencies are converted into Latvian lats, using the currency rates officially determined by the Bank of Latvia at the day of corresponding deal.

	31.03.2016.
USD	1.1324

- 10) compared to the previous reporting period, accounting and valuation methods used by the Company have not been changed

II. Earning recognition and net turnover

11) 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.

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

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

III. Fixed assets

13) All fixed assets originally estimated at the purchase value, excluding depreciation

14) 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

IV. Debts of debtors

15) 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

16) 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.

17) 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 Provisions

18)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. Other debtors.

Kind of debtor	31.03.2016 EUR	31.03.2015 EUR
Debtors of service	7143	6072
Other debtors	32748	28731
Total	39891	34803

2. The share capital consists of 918144 equities

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

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

25.4% (233667 equities) of share capital belongs to Olivers Kai Wiederhold

7.2% (66532 equities)of share capital belongs to SIA”Aizputes atslēgas”
reg.40003948878

3.Other borrowings (long term creditors)

Creditors	31.03.2016 EUR	31.03.2015 EUR
Deferred tax	61025	62700
Total	61025	62700

4. Borrowings from credit institutions.

Creditors	31.03.2016 EUR	31.03.2015 EUR
A/S DNB bank	18639	42118
Other	0	5754
Total	18639	47872

5. Liabilities to associated Enterprises

Business partner	31.03.2016 EUR	31.03.15 EUR
A/S "Kurzemes atslega"	4255	2064

6. Taxes and Obligatory payments of the state social insurance

Kind of taxes	31.03.2016 EUR	31.03.2015 EUR
Income tax of inhabitants	6014	6107
Obligatory payments of the state social insurance	13645	14429
Other tax	5682	6419
Total	25341	26955

7. The rest of creditors.

Kind of creditors	31.03.2016 EUR	31.03.2015 EUR
Wages for March	22218	22839
Other creditors	4253	1610
Total	26471	24449

Information for the "Profit and loss account".

1. Net sales

Modus operandi	31.03.2016 EUR	31.03.2015 EUR
Incomings from production of locks and ironmongery	314662	452062
Incomings from sales of goods in shop	6303	7053
Incomings from rendering of services	9575	12250
Incomings from rendering of public facilities	24224	19091
Total:	354764	490456

2. Production costs of sales.

The main elements of expenses	31.03.2016 EUR	31.03.2015 EUR
Material costs	229948	237996
Wages	96973	113858
Obligatory payments of the state social insurance	22184	26337
Electrical energy	26090	24538
Costs of depreciation of fixed	10983	11913
Received services	22709	16724
The rest of expenses	17760	23202
Expenses in total	426647	454569
Correction of expenses		
Changes of remains of unfinished production	(1660)	5049
Changes of remains of self-made punches, molds and materials	(143)	(3306)
Changes of remains of complete product	(31643)	29167
Total	393201	485479

3. Distribution expenses

The main elements of expenses	31.03.2016 EUR	31.03.2015 EUR
Wages	2840	3635
Social expenses	659	831
Marketing Services	3061	6336
Expenditure on advertising	69	89
Total	6629	10891

4. Administration expenses.

The main elements of expenses	31.03.2016 EUR	31.03.2015 EUR
Wages	17587	17247
Social expenses	4290	4000
Communication expenses	326	443
Cost for bank account services	271	341
Other expenses	492	714
Total	22966	22745

5. The rest of incomes for economic activity

Sort of revenue	31.03.2016 EUR	31.03.2015 EUR
Sales of current assets	2832	1178
Profits from increase in exchange rates fluctuations	0	6284
Other incomes	0	712
Total	2832	8174

6. The rest of expenses for economic activity of enterprise

Heads of expenditure	31.03.2016 EUR	31.03.2015 EUR
Harm recompense	4116	4149
Expenses for social sphere	339	240
Expenses, unrelated with economic activity, donations	28	891
Other expenses	1200	0
Total	5683	5280

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols