

**JOINT STOCK COMPANY**

**‘KURZEMES ATSLEGA 1’**

**LV40003044007**

**FINANCIAL REPORT FOR FIRST 6 MONTHS  
OF THE YEAR 2017  
(NON-AUDITED)**

## Contents

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

## 1.Information on enterprise.

<b>Name</b>	<b>” KURZEMES ATSLĒGA 1”</b>
<b>Legal status</b>	<b>Joint stock company</b>
<b>Registration number, place and date</b>	<b>40003044007,Riga, 29.11.1991</b>
<b>Register</b>	<b>Registration in the Commercial on 11 June 2004</b>
<b>Legal address</b>	<b>27 Kalvenes str.,Aizpute,LV3456</b>
<b>Main activities: NACE 2.red</b>	<b>2572-door locks,ironware,furniture fittings</b>
<b>Shareholders an their shares %</b>	<b>JSC”Kurzemes atslega”- 48.36%</b> <b>Olivers Wiederholds – 19.82 %</b> <b>SIA”Aizputes atslegas” – 8.5 %</b> <b>Liepājas rajona SIA firma”’Gutta”’-5.3%</b> <b>Others –18.02%</b> <b>Council and board members do not own shares.</b>
<b>Members of Supervisory Council</b>	<b>Guntars Stekjānis – Chairman of Supervisory Council</b> <b>Voldemārs Magone - Member of Supervisory Council</b> <b>Rolands Livmanis - Member of Supervisory Council</b> <b>Jānis Karkliņš - Member of Supervisory Council</b> <b>Irēna Burve - - Member of Supervisory Council</b>
<b>Members of Board</b>	<b>Agris Kārkliņš - Chairman of Board (to 21.07.2017)</b> <b>Peteris Fridenbergs-Chairman of Board (of 21.07.2011)</b> <b>Aldis Ozols - Member of Board</b> <b>Ieva Niedoliņa - Member of Board(to 11.05.2017)</b> <b>Agris Rastihins - Member of Board (of 11.05.2017 to 21.07.2017)</b> <b>Aiga Ozola –Member of Board (of 21.07.2017)</b>
<b>Cief account</b>	<b>Irēna Burve</b>
<b>Reporting period</b>	<b>01.01.2017 – 30.06.2017</b>
<b>Previous reporting period</b>	<b>01.01.2016 – 30.06.2016</b>
<b>Auditors</b>	<b>SIA”Nexia Audit Advice (License no 134)</b> <b>Certified auditor Marija Jansone</b> <b>(Certificate Nr.25)</b>

## 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 2017 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 844973 EUR in the 1st half of 2017 which is up by 15,7% or 114587 EUR in comparison with the 1st half of the 2016.

Volume of sold production divides as follows:

sold in local market (Latvia) – 56.2% or 475241 EUR. This is by 30279 EUR more than in the 1st half of the 2016.

Sold in EU - 35.2% or 297093 EUR, i.e. up by 28944 EUR than in the 1st half of 2016.

Export - 8.6% or 72693 EUR, i.e. by 55364 EUR more than in the 1st half of 2016.

State	30.06.2017 EUR	%	30.06.2016 EUR	%
Latvia	475241	56.2	444962	60.9
Lithuania	197033	23.3	165229	22.6
Uzbekistan	72639	8.6	0	0
Estonia	69136	8.2	88587	12.1
Denmark	23004	2.7	8301	1.1
Russia	0	0	6436	0.9
Finland	2140	0.3	1161	0.2
Ukraine	0	0	10839	1.5
Germany	5780	0.7	4871	0.7
Total	844973	100	730386	100

Currently 79 employees are being employed in Company. Average amount of the employees in 6 months of the 2016 was 79.

Average salary 560 EUR. In 6 months of 2016 – 504 EUR. Average salary is up by 11,1%.

### ***The Company's financial performance and financial situation***

The 1st half of the 2017 has finalized with losses in amount of 97078 EUR.

Loss per share in June 30th 2016 – 0.11 EUR.

Loss per share in June 30th 2017 – 0.11 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 70000 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***

Due to the decline in product sales market in Uzbekistan, Russia and Ukraine, and increase of prime costs in Latvia (increase of salaries, electricity and metal prices), it has worked with losses.

In order to improve the situation, the Company is looking for permanent partners with the help of LIAA.

Board of JSC "KURZEMES ATSLEGA 1"

**Chairman of the Board:**

**Peteris Fridenbergs**

**Board members:**

**Aldis Ozols**

**Aiga Ozola**

Aizpute , August 31,2017

**Statement of responsibility of direction.**

Non-audited report of the first 6 months 2017 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 2017 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

The Board of AS "KURZEMES ATSLEGA 1":

---

Chairman of the Board      Peteris Fridenbergs

---

Member of the Board      Aldis Ozols

---

Member of the Board      Aiga Ozola

## BALANCE SHEET FOR 6 MONTHS OF 2017

<b>ASSETS</b> 1	<b>Row code</b>	<b>30.06.2017</b> <b>EUR</b>	<b>31.12.2016</b> <b>EUR</b>
<b>1.LONG TERM INVESTMENT</b>			
1.Expenses of development		0	0
2.Concessions, patents, licenses		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.		517906	532969
2.Equipment and machinery		72291	85887
3.Other fixed assets		9784	10365
4.Fixed assets development costs		5822	5822
5.Prepayment for fixed assets		0	0
<b>II Total fixed assets</b>		<b>605803</b>	<b>635043</b>
1.Total LONG TERM INVESTMENT		<b>605803</b>	<b>635043</b>
<b>2.CURRENT ASSETS</b>			
<b>1. Inventories</b>			
1.Raw materials		367977	455337
2.Work in progress		285135	289224
3.Finished goods and goods for sale		104032	141021
5.Advance payment for goods		26165	44841
<b>I. Total inventories</b>		<b>783309</b>	<b>930423</b>
<b>II. Debtors</b>			
1.Trade debtors		163708	154158
4.Other debtors		14757	36147
7.Deferred expenses		0	0
<b>II. Total debtors</b>		<b>178465</b>	<b>190305</b>
<b>III. Securities and capital participation</b>			
<b>IV . Cash</b>		24671	16400
<b>2.Total current assets</b>		<b>986445</b>	<b>1137128</b>
<b>Total assets</b>		<b>1592248</b>	<b>1772171</b>



<b>LIABILITIES</b> <b>1</b>	<b>Row code</b>	<b>30.06.2017</b> <b>EUR</b>	<b>31.12.2016</b> <b>EUR</b>
<b>1.CAPITAL</b>			
1.Share capital	1	1285401	1285401
3.Revaluation reserve		22193	22193
4.Reserves			
a)legal reserves		21000	21000
<b>4.Total reserves</b>			
5.Retained profit		(24184)	204914
a) previous years retained profit		72894	301360
b)current year profit		(97078)	(96446)
<b>1Total Capital and reserves</b>		<b>1304410</b>	<b>1533508</b>
<b>2.PROVISIONS</b>			
<b>3.CREDITORS</b>			
<b>1.Long term creditors</b>			
Other loans			
.Amounts payable to associated companies			
Deferred tax		57148	61025
Deferred income		0	0
<b>1.Total long term creditors</b>		<b>57148</b>	<b>61025</b>
<b>2.Short-term creditors</b>			
3. Other loans		0	0
4..Bank loan		23686	0
5.Advances received from customers		15598	21544
6.Trade creditors		83925	73442
8.Amounts payable to associated companies		2636	2150
10.Taxes and social security payments	2	35799	25423
11.Other creditors	3	30333	26391
Deferred income		0	0
Deferred liabilities		38713	28688
<b>2.Total short-term creditors</b>		<b>230690</b>	<b>177638</b>
<b>3.Total creditors</b>		<b>287838</b>	<b>238663</b>
Total liabilities		<b>1592248</b>	<b>1772171</b>

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

## Profit and loss account

N.	Item	line No	30.06.2017	30.06.2016
			EUR	EUR
1	Net sales	1	844973	730386
2	Cost of sales	2	(864026)	(766421)
3	Gross profit or loss		<b>(19053)</b>	<b>(36035)</b>
4	Distribution expenses	3	(34526)	(13185)
5	Administration expenses	4	(37175)	(43535)
6	Other operating income	5	14594	7141
7	Other operating expenses	6	(20173)	(10275)
8	Interest paid and similar expense		(745)	(557)
9	<b>Operating profit</b>		<b>(97078)</b>	<b>(93710)</b>
10	Extraordinary income		0	0
11	Extraordinary expenses		0	0
12	<b>Profit or loss before taxes</b>		<b>(97078)</b>	<b>(96446)</b>
13	Corporate income tax		0	0
14	Other taxes		0	0
15	Deferred tax		0	0
16	<b>Net profit or loss for the year</b>		<b>(97078)</b>	<b>(96446)</b>

Losses per stock 30.06.2016 0.11 EUR

Losses per stock 30.06.2017 0.11 EUR

Chairman of Board:

Peteris Fridenbergs

Members of Board :

Aldis Ozols

Aiga Ozola

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

Indices	Appendices	30.06.2017.	30.06.2016.
		EUR	EUR
<b>I. Operation activities</b>			
1. Profit or loss before extraordinary items and taxes.		(97078)	(96446)
Correction s:			
a) Wear and tear of fixed assets;		17377	21843
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;		2427	1029
e) Interest payments and similar expenses		745	557
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		(76529)	(70281)
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		(16690)	50593
b) Increase or decrease of residues of resources;		82612	(25207)
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		34739	18406
3. The gross cash flow of basic activity.		24132	(29225)
4. Expenses for payments of enterprise income tax		0	(924)
5. Expenses for fixed asset tax payments			
<b>6. The net cash flow of basic activity</b>		<b>24132</b>	<b>(30149)</b>
<b>II. Investing activities</b>			
1. Purchase of shares or parts of related or associated enterprises.		0	0
<b>9. Net cash flow used in investing activities</b>		<b>(2305)</b>	<b>0</b>
<b>III. Financing activities</b>			
2. Loans received		(10543)	(39321)
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		(745)	(557)
<b>7. Net cash flow of financing activity</b>		<b>10539</b>	<b>(39878)</b>
<b>IV. The result of exchange rate fluctuations of foreign currency.</b>		<b>(2427)</b>	<b>(1029)</b>
<b>V. The net cash flow of year of account</b>		<b>8112</b>	<b>(71059)</b>
<b>VI. The remainder of currency and its equivalents at the beginning of year of account.</b>		16559	87459
<b>VII. The remainder of currency and its equivalents at the end of year of account.</b>		24671	16400

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

STATEMENT OF CHANGES IN EQUITY  
**FOR 6 MONTHS OF 2017**  
 (EUR)

	Share capital	Revaluation reserve	Share capital reserve	Retained profit	Total
<b>As of 31.December 2015</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>301360</b>	<b>1629954</b>
Current year profit					
Share capital reserve dividend paid					
<b>As of 31.December 2016</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>72895</b>	<b>1401489</b>
dividend paid					
Current year profit				(97078)	(97078)
Revaluation reserve					
<b>As of 30 June 2017</b>	<b>1285401</b>	<b>22193</b>	<b>21000</b>	<b>(24183)</b>	<b>1304410</b>

## **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

	30.06.2017	30.06.2016
USD	1.1413	1.109

## 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.

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 ‘Kurzesmes 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**

<b>Kind of taxes</b>	<b>30.06.2017 EUR</b>	<b>31.12.2016 EUR</b>
Income tax of inhabitants	7416	6165
Obligatory payments of the state social insurance	18648	13536
Other tax	9735	5722
<b>Total</b>	<b>35799</b>	<b>25423</b>

## **6. The rest of creditors.**

<b>Kind of creditors</b>	<b>30.06.2017 EUR</b>	<b>31.12.2016 EUR</b>
Wages for June	25566	22134
Other creditors	3398	2890
Harm recompense	1378	1367
<b>Total</b>	<b>30333</b>	<b>26391</b>



Information for the "Profit and loss account".

1. Net sales

<b>Modus operandi</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Incomings from production of locks and ironmongery	770984	681422
Incomings from rendering of services	73989	48964
<b>Total:</b>	<b>844973</b>	<b>730386</b>

2. Production costs of sales.

<b>The main elements of expenses</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Material costs	413058	407354
Wages	232814	197920
Obligatory payments of the state social insurance	53726	45464
Electrical energy	47858	45094
Costs of depreciation of fixed	18423	21843
The rest of expenses	22045	30535
Import duty	1454	2316
Services received	34825	41517
<b>Expenses in total</b>	<b>824203</b>	<b>792043</b>
Correction of expenses		
Changes of remains of unfinished production	35007	(2124)
Changes of remains of self-made punches, molds and materials	0	(143)
Changes of remains of complete product	4817	(26091)
<b>Total</b>	<b>864026</b>	<b>763685</b>

3. Distribution expenses

<b>The main elements of expenses</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Wages	6666	5669
Social expenses	1572	1315
Marketing Services	18280	6074
The rest of expenses	8008	127
<b>Total</b>	<b>34526</b>	<b>13185</b>

## 4. Administration expenses.

<b>The main elements of expenses</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Wages	26346	33228
Social expenses	6165	7922
Telecommunication service	731	680
Cash turnover expenses	1576	560
The rest of expenses	2357	1145
<b>Total</b>	<b>37175</b>	<b>43535</b>

## 5. The rest of incomes for economic activity

<b>Sort of revenue</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Sales of current assets	14420	7141
Incomes from exchange rate fluctuations	174	0
<b>Total</b>	<b>14594</b>	<b>7141</b>

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

<b>Heads of expenditure</b>	<b>30.06.2017 EUR</b>	<b>30.06.2016 EUR</b>
Expenses for social sphere	594	617
Harm recompense	8299	8228
Expenses, unrelated with economic activity, donations	161	334
Other	8517	67
Loss from fluctuation of foreign currency exchange rate;	<b>2602</b>	<b>1029</b>
<b>Total</b>	<b>20173</b>	<b>10275</b>