

JOINT STOCK COMPANY

**“KURZEMES ATSLEGA 1”
LV40003044007**

**ANNUAL REPORT
2015
(NON-AUDITED)**

FOR THE PERIOD
01 JANUARY 2015-
31 DECEMBER 2015

Aizpute
2016

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1.Information on enterprise

State registration Nr. and date	No.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 No. 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	January 1, 2015– December 31, 2015
Members of Supervisory Council (from June 17.2013 resolution nr6-12/73618/2)	Guntars Stekjanis – Chairman of Supervisory Council Valdis Bīķis –Member of Supervisory Council Rolands Līvmanis -Member of Supervisory Council Irena Burve – Member of Supervisory Council
Members of Board	Voldemārs Magone – Member of Board Aldis Ozols , Member of Board
Chairman of Board	Pēteris Frīdenbergs
Auditor	Sworn auditor Aivars Rutkis, LACA Certificate No 18

Managerial report

The action type of the Joint Stock Company “KURZEMES ATSLEGA 1” during 2015 has not changed in comparison with previous periods of time: door locks, ironware, furniture fittings, forged products, building structures, production tools etc. are still being produced and services of galvanization provided.

The fixed capital of the JSC “KURZEMES ATSLEGA 1” is 1 285 401 EUR. In 2015 net turnover reached 1 865 956 EUR, profit 493 EUR.

Profit per stock 31.12.2015. 0.001 EUR

Profit per stock 31.12.2014. 0.02 EUR

Net turnover of 2015 compared with 2014 has reduced by 197 119 EUR, what makes 9.6% of turnover of the 2014. Export has reduced by 19.6 %. The main export markets EU are Lithuania and Estonia. Deliveries to Belize are terminated, declined demands in Uzbekistan.

Volume of sold production in 2015 divides as follows:

- sold in local market (Latvia) – 56.8%,
- EU deliveries 30.6%
- export - 12.6%

The volume of sold production in 2014 divided as follows:

- sold in local market (Latvia) – 51.4%,
- EU deliveries 26.6%
- export - 22%

Average number of employees in 2015 was 88, average salary in 2015 – 479 EUR, average number of employees in 2014 was 103, average salary 456 EUR. In comparison with corresponding period of previous period, average salary is up by 5%. 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.

On the basis of balance and other financial statement data, it may be concluded the total resource (asset) value in comparison with 2014 has reduced by 0.96%. Liquidity ratios of the Company have improved. Inventory turnover ratio has reduced by 0.07 percentage points. This is related to the relatively long production technology and the sustainment of necessary level of precurse to ensure continuous production.

The Company plans to return to the Ukrainian market, as well as to enter in the Kazakhstan market in 2016. The cooperation with the leading Latvian construction companies will be

continued, in order to acquire the production of new building structures. In order to improve the quality of the production, we shall invest in new equipment.

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.

Board of JSC "KURZEMES ATSLEGA 1"

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

February 29, 2016

2.1. Statement of responsibility of direction.

Non-audited report of 2015 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/losses.

Responsibility for non-audited annual report of year 2015 bears the Board of joint stock company "KURZEMES ATSLEGA 1".

Board of JSC "KURZEMES ATSLEGA 1"

Chairman of the board Peteris Fridenbergis

Member of the board Voldemars Magone

Member of the board Aldis Ozols

February 29, 2016

2.2 PROFIT AND LOSS ACCOUNT

Item	note	31.12.2015.	31.12.2014.
	Nr.	EUR	EUR
Net sales	1	1865956	2063075
Cost of sales	2	1728414	1920239
Gross profit		137542	142836
Distribution expenses	3	37131	52821
Administration expenses	4	91819	74878
Other operating income	5	20970	39449
Other operating expenses	6	21378	22856
Operating profit		8184	31730
Income from other interest and similar incomes		0	0
Interest paid and similar expense	7	1330	1406
Profit before tax		6854	30324
Deferred tax income		1675	1124
Other taxes		-5226	-5304
Enterprise income tax		-2810	-862
Net profit for the year		493	25282

The accompanying notes on pages 12.-26. are an integral part of these financial statements

2.1.BALANCE SHEET

ASSETS 1	Appendices	31.12.2015. EUR	31.12.2014. EUR
I. Fixed assets			
1. Land, building.		540524	555691
2.Equipment and machinery		98447	124656
3.Other fixed assets		12093	15685
4.Fixed assets development costs		5822	6732
I Total fixed assets	1	656886	702764
1.Total LONG TERM INVESTMENT		656886	702764
2.CURRENT ASSETS			
1.Inventories			
1.Raw materials		463206	511228
2.Work in progress		287100	290078
3.Finished goods and goods for sale		114929	151310
5.Advance payment for goods	2	39981	48785
I. Total inventories		905216	1001401
II. Debtors			
1.Trade debtors	3	187170	152150
4.Other debtors	4	52162	35842
7.Deferred expenses	5	642	81
II. Total debtors		239974	188073
III. Securities and capital participation			
IV . Cash	6	87459	15566
2.Total current assets		1232649	1205040
Total assets		1889535	1907804

The accompanying notes on pages12.-26.are an integral part of these financial statements

LIABILITIES 1	Appendices	31.12.2015. EUR	31.12.2014. EUR
1.CAPITAL			
1.Share capital	7	1285401	1285401
2.Share capital reserve		21000	21000
3.Revaluation reserve	8	22193	22193
5.Retained profit			
a) previous years retained profit		300867	275585
current year profit		493	25282
1Total Capital and reserves		1629954	1629461
2.PROVISIONS	9	22045	25256
Total PROVISIONS		22045	25256
3.CREDITORS			
1.Long term creditors			
Deferred tax	10	61025	62700
1.Total long term creditors		61025	62700
2.Short-term creditors			
4..Bank loan	11	39324	20867
5.Advances received from customers		9080	19548
6.Trade creditors		66010	75361
8.Amounts payable to associated companies	12	1757	641
10.Taxes and social security payments	13	23016	32682
11.Other creditors	14	26137	32205
Accrued liabilities	15	11187	9083
2. Total short-term creditors		176511	190387
Total creditors		237536	253087
Total liabilities		1889535	1907804

The accompanying notes on pages 12.-26.are an integral part of these financial statements

2.3.Cash flow statement.

(Cash flow statement, prepared using indirect method)

Indices	Appendices	31.12.2015.	31.12.2014.
		EUR	EUR
I. Operation activities			
1. Profit or loss before extraordinary items and taxes.		6854	30324
Correction			
s:			
a) Wear and tear of fixed assets;		52127	54700
b) Value cancellation if long-term investments;		0	0
c) Formation of reserves (except the reserves for unreliable debt);		-3211	-8296
d) Profit or loss from fluctuation of foreign currency exchange rate;		-5701	-8352
e) Interest received			0
f) Proceeds from partnership in capital of subsidiary company and associated enterprises		1326	1104
g) Proceeds from no securities and loans, that have been made long-term investment		0	0
2. Profit or loss before corrections of effects of changes of current assets and short-term liabilities		51395	69480
Adjustments:			
a) Increase or decrease of residues of debts of debtors;		-52781	-36510
b) Increase or decrease of residues of resources;		96185	-79321
c) Increase or decrease of remains of debts to be paid to suppliers, contractors and other creditors.		-33603	-30822
3. The gross cash flow of basic activity.		61196	-77173
4. Expenses for payments of enterprise income tax		-660	-576
5. Expenses for fixed asset tax payments		-5226	-5304
6. The net cash flow of basic activity		55310	-83053
II. Investing activities			
1. Purchase of shares or parts of related or associated enterprises.		-6249	-8262
9. Net cash flow used in investing activities		-6249	-8262
III. Financing activities			
2. Loans received		18457	0
3. Financial aids, pump-priming, presents or donations received			
4. Expenses for repayment of loans		-1326	-10449
7. Net cash flow of financing activity		17131	-10449
IV. The result of exchange rate fluctuations of foreign currency.		5701	8352
V. The net cash flow of year of account		71893	-93412
VI. The reminder of currency and its equivalents at the beginning of year of account.		15566	108978
VII. The reminder of currency and its equivalents at the end of year of account.		87459	15566

2.5 STATEMENT OF CHANGES IN EQUITY

Year 2015

(EUR)

	Share capital	Share capital reserve	Revaluation reserve	Year of account retained profit	Prior period retained profit	Total
As of 31 December 2013	1306401	0	22193	-40227	315812	1604179
Year 2014. of account profit (loss)	0	0	0	25282	0	25282
Share capital reserve	-21000	21000	0	0	0	0
As of 31 December 2014	1285401	21000	22193	25282	275585	1629461
Year 2014 of account profit (loss)	0	0	0	-25282	25282	0
Current year profit	0	0	0	493	0	493
As of 31. december 2015	1285401	21000	22193	493	300867	1629954

2.5. Appendices to the Financial statements 2015-2014

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

	31.12.2015
USD	1.0887

Since amendments were made in the Company's income statement of the 2014, the following corrections have been applied to this year's report:

Position in 2014	Before correction	After correction
Enterprise income tax	5445	862
Net profit for the year	20699	25282
Other debtors	34409	35842
Taxes and social security payments	35832	32682
Total Capital and reserves	1624878	1629461
Total assets	1906371	1907763
Total liabilities	1906371	1907763

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 offset 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

Appendices for profit and loss account

1. Net sales

Modus operandi	31.12.2015. EUR	31.12.2014. EUR
Incomings from production of locks and ironmongery	1750816	1972957
Incomings from rendering of services	115140	90118
Total:	1865956	2063075

No.	<i>Name of the state</i>	<i>Selling</i>	
		2015 (EUR)	2014 (EUR)
1.	Latvia	1059.5	1059.6
2.	Lithuania	346.8	374.8
3.	Uzbekistan	212.1	239
4.	Estonia	175.3	147.4
5.	Belize	0	185.6
6.	Russia	23	30.2
8.	Germany	25	4.9
9.	Denmark	23	17.2
10.	Finland	1.3	4.4
	Total	1866	2063.1

2. Production costs of sales.

The main elements of expenses	31.12.2015. EUR	31.12.2014. EUR
Material costs	879303	1083592
Wages	422790	495902
Obligatory payments of the state social insurance	97538	114500
Electrical energy	88871	102211
Costs of depreciation of fixed	51105	54700
Wear of low value stock	4184	14096
Import duty	4971	8254
Received services	75026	57547
Environment protection expenses	8062	8399
The rest of expenses	65793	71474
Correction of expenses	1697643	2010675
Changes of remains unfinished production	2979	-48636
Changes of remains of self-made punches, molds and materials	-7040	-25237
Changes of remains of complete product	34832	-16563
Changes of remains self-made fixed assets		0
TOTAL	1728414	1920239

3. Distribution expenses

The main elements of expenses	31.12.2015. EUR	31.12.2014. EUR
Wages	13449	14942
Social expenses	3135	3550
The rest of expenses	537	498
Marketing Services	20010	33831
Total	37131	52821

4. Administration expenses.

The main elements of expenses	31.12.2015. EUR	31.12.2014. EUR
Wages	68790	52534
Social expenses	16179	12393
The rest of expenses	5430	8501
Provisions	1420	1450
Total	91819	174878

5. The rest of incomes for economic activity

Sort of revenue	31.12.2015. EUR	31.12.2014. EUR
Sales of current assets	11343	22511
The rest of incomes	3212	8586
Others income	5701	8352
	714	0
Total	20970	39449

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

	31.12.2015. EUR	31.12.2014. EUR
Expenses for social sphere	1229	1034
Expenses, unrelated with economic activity, donations	2171	759
provision for doubtful receivables	1111	3304
harm recompense	16339	16581
Other expenses	528	1178
Total	21378	22856

7. Interest, interest cover

	31.12.2015. EUR	31.12.2014. EUR
Interest	1326	1104
interest cover	4	302
Total	1330	1406

Appendices to balance sheet

1.Fixed assets (EUR)

	Land	Buildings	Technological equipment	The rest capital assets	originatio n of capital assets	Total
Purchase prices 31.12.2013.	23924	988353	1157404	137227	0	2306908
To put into operation	0	0	1450	79	6732	8261
Disposed	0	0	4814	246	0	5060
Purchase prices 31.12.2014.	23924	988353	1154040	137060	6732	2310109
To put into operation	0	0	6610	549	0	7159
Disposed	0	0	0	0	0	0
Purchase prices 31.12.2015.	23924	988353	1160650	137609	5822	2316358
Deprecation 31.12.2013.	0	441134	999969	116603	0	1557706
Calculated	0	15452	34230	5018	0	54700
Disposed	0	0	4814	246	0	5060
Deprecation 31.12.2014.	0	456586	1029385	121375	0	1607345
Calculated	0	15167	32819	4141	0	52127
Disposed	0					
Depreciation 31.12.2015.	0	471753	1062203	125516	0	1659472
Balance sheet value 31.12.2014	23924	531767	124656	15685	6732	702764
Balance sheet value 31.12.2015.	23924	516600	98447	12093	5822	656886

1.2 Fixed asset liquidation

	31.12.2015. EUR	31.12.2014. EUR
Fixed asset acquisition value	0	5060
Accumulated depreciation	0	5060
Loss from liquidation of fixed assets	0	0

Cadastre value of the buildings

Property	Cadastre No.	Cadastre value EUR	Balance sheet value EUR
Coal – woodchip place-shed	64050100122011	2367	5180
Joinery building	64050100122012	6293	10915
Lean -garage	64050100122008	6801	7906
Production building No.2	64050100122002	15096	19416
Engineering-technical building	64050100122003	6047	2124
Building of Grinding shop, Electroplating shop and Clubhouse	64050100122005	32914	24508
Repair shop	64050100122006	18279	16094
Storehouse of electrolytic components	64050100122007	32713	9232
Boiler house	64050100122010	11213	44428
Aid post of factory	64050100122013	9101	4188
Warehouse	64020100122014	25379	11008
Warehouse	64050100122015	8315	338
The main production building with compressor substation	64050100122016	117855	281254
Office building	64050100122017	37055	11324
Neutralization building	64050100122018	2345	12377
Gatehouse	64050100122019	332	0
Sawmill building	64050100122020	5762	2441
Transformer substation	64050100220021	1930	1637
Plot:, Kalvenes 27,Aizpute 42695 m2(93/100)	64050100206	20727	23924
Garage-outhouse	64050100122009	1793	2333
Total		362317	490627

2. Advance payment for goods.

Item	31.12.2015. EUR	31.12.2014. EUR
Diesel	285	186
Material	39696	48599
Total	39981	48785

3. Trade debtors

Item	31.12.2015. EUR	31.12.2014. EUR
Trade debtors accounting value	209993	180168
Provisions doubtful debt	22823	28018
Trade debtors net value	187170	152150

Change in provision for doubtful receivables

	Trade debtors (EUR)
Provisions 31.12.2014.	28018
Provisions decrease	6306
provisions increase	1111
Provisions 31.12.2015.	22823

4. Other debtors

Item	31.12.2015. EUR	31.12.2014. EUR
Personnel debts	163	149
Public utilities payment	5657	6323
Other debts	46342	27937
Total	52162	34409

5. Deferred expenses.

	31.12.2015. EUR	31.12.2014. EUR
Insurance expenses	642	0
Subscription	0	81
Total	642	81

6. Money resources

	31.12.2015. EUR	31.12.2014. EUR
Money resources in cash department	990	420
Money resources in bank	86469	15146
Total	87459	15566

7. The share capital consists of 918144 equities with nominal value 1.40 EUR:

- in public returns 656356 ,or 71.5%
- in closed register 261788, or 28.5%

48.36% (443976 equates)of share capital belongs to A/S “KURZEMES ATSLEGA ”, reg.no.40003253124.

26 % - (239121 equates) of share capital belongs to Oliver Kai Wiederhold

6.4%-(58481 equates) 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.

8. Long-term investment revaluation reserve.

Item	Long-term investment revaluation reserve (EUR)
Balance 31.12.2014.	22193
increase	0
decrease	0
Balance 31.12.2015.	22193

9. PROVISIONS

Item	31.12.2015. EUR	31.12.2014. EUR
Provisions for not used holiday	22045	25256
Total	22045	25256

10. Deferred tax liabilities

Item	31.12.2015. EUR	31.12.2014. EUR
Deferred tax liabilities	62700	63824
Incomes of reduction Deferred tax liabilities	1675	1124
Total	61025	62700

11. Bank credit (short term)

Item	31.12.2015. EUR	31.12.2014. EUR
AS DNB BANKA	39324	20868

For the guarantee of increase in a limit of the credit for AS DNB the commercial mortgage on resources in volume 97 986 EUR is given out.

12. Liabilities to associated (Enterprises short term)

Item	31.12.2015. EUR	31.12.2014. EUR
A.S "KURZEMES ATSLĒGA" reģ.nr.40003123254	1757	641

13. Movement taxes 2015. EUR

Kind of taxes	balance 31.12.2014. EUR	calculated 2015. EUR	paid 2015. EUR	To direct for other taxes EUR	balance 31.12.2015. EUR
Obligatory payments of the state social insurance	17449	169202	170999	(2063)	13589
Income tax of inhabitants	8072	72316	74530	0	5858
Value added tax	6797	52334	58836	850	1145
real estate tax	0	5226	5226	0	0
Enterprise income tax	(1433)	2810	660	1213	1930
Tax to natural resources	325	1422	1285	0	462
Business risk fee	39	421	428	0	32
Total	31249	303731	311964	0	23016

Int.al.:

Overpayment taxes 0

Liability taxes 23016

14. The rest of creditors.

Kind of creditors	31.12.2015. EUR	31.12.2014. EUR
Wages for December	21855	27721
harm recompense	1354	1362
Deduction from wages	40	164
Other creditors	2888	2958
Total	26137	32205

15. Accrued liabilities.

Item	31.12.2015. EUR	31.12.2014. EUR
Expenses of audit of the year	1420	725
JSC Latvenergo	8138	8043
Other	1629	315
Total	11187	9083

16. General note

	2015.EUR	2014.EUR
The average annual number of employees	88	103
Personnel expenses Total	623110	694855
- wages	506023	564215
social insurance	117087	130640
- inter alia		
Production personnel		
- wages	422790	495902
social insurance	97538	114500
Total	520328	610402
The personnel of administration		
- wages	68790	52534
social insurance	16179	12393
Total	84969	64927
i.a. Compensation of board		
- compensation	11635	11073
- social insurance	2543	2540
Total	14178	13613
Compensation of Supervisory Council		
- compensation	8892	9864
- social insurance	2021	2256
Total	10913	12120

The personnel of sales		
- compensation	13449	14943
- social insurance	3135	3550
Total	16584	18493
The personal for social sphere		
- compensation	994	836
- social insurance	235	197
Total	1229	1033

17. Remuneration the Sworn Auditor

	2015 . EUR	2014 . EUR
SIA "ES AUDITS"	0	1450
Sworn auditor: Aivars Rutkis	1420	0
Total	1420	1450

18. Transactions with associated persons

Name of the associated person	Materials purchased from associated person in 2015. EUR	Services provided and goods sold to the associated company in 2015. EUR
JSC "KURZEMES ATSLĒGA" Registration No. 40003123254	90624	1818
Among it		
Long-term debts to associated enterprise		
Short-term debts to associated enterprise	90624	1818

19. Transactions with companies, registered in low-tax zone

Name of the related person	Exported goods 2015. EUR	Exported goods 2014. EUR
ORS TRADING LTD Beliza	0	58125
LEAD TRADING LTD Beliza	0	127463
TOTAL	0	185588

20. Important events after the accounting period

During the period after accounting report till its signing no significant events has occurred, what could influence the financial situation fixed in financial report of the enterprise

21. Financial risk management

To ensure financial risk management JSC “KURZEMES ATSLEGA 1” follows-up the liquidity, regularly controls the cash flow of the enterprise. Active work with collection of fiscal debts is being provided. Financial resources – credit is being attracted.

The Company’s principal financial instruments comprise loans, finance leases, cash The main purpose of these financial instruments is to ensure financing for the Company’s operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial Risks

The main financial risks arising from the Company’s financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The Company’s financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables and short-term and long-term borrowings. The Company is mainly exposed to foreign currency risk of USD.

Interest rate risk

The Company is exposed to the interest rate risk mainly through its short-term and long-term borrowings. The Company’s policy is to ensure that the majority of its borrowings are at floating and constant rate.

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company’s exposure to bad debts is minimized.

22. Calculation of indices of the Financial results

	2015	2014
Liquidity ratio		
Total ratio of liquidity	6.98	6.33
Quick ratio	1.86	1.04
Absolute liquidity ratio	0.5	0.08
Liquidity – solvency, i.e. ability to extinguish short-term obligations in time and completely.		
<u>Liability ratio</u>		
Liability ratio in balance	0.13	0.13
Liability ratio to equity	0.15	0.16
Equity ratio to total assets	0.86	0.85
Borrowed funds ratio	0.15	0.16
(ability to cover short-term or long-term liabilities)		
Activity ratio		
Stock Turnover ratio	1.81	1.89
<u>Profitability ratios</u>		
Sales profitability	0.03%	1.23 %
Equity profitability	0.03%	1.56 %

Board of JSC “KURZEMES ATSLEGA 1”

Chairman of the board Peteris Fridenbergs

Member of the board Voldemars Magone

Member of the board Aldis Ozols

February 29, 2016