

JOINT STOCK COMPANY IN LIQUIDATION

“KURZEMES ATSLĒGA 1”

LV40003044007

ANNUAL REPORT
for year 2021

(AUDITED)

Aizpute
2022

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

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ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Information on the Company

Name of the Company	Likvidējamā AS "KURZEMES ATSLĒGA 1"
Legal status of the Company	Joint stock Company
Number, place and date of registration	40003044007 Rīga, 29 November 1991 Reregistered in Commercial Register with common registration No 40003044007 on 11 June 2004
Address	Kalvenes iela 27, Aizpute, Aizputes novads, LV-3456 Latvija
Liquidator	Pēteris Frīdmanis (from 30.12.2020)
Names of major shareholders	AS "Kurzemes atslēga" (48.36%) Wiederhold Oliver Kai (17.22%) SIA "Aizputes atslēgas" (15.26%) Others (19.16%)
Financial year	1 January - 31 December 2021
Name and address of the certified audit company and certified auditor in charge	Revidentu birojs Gatis Svīklis Lāsma Svīkle SIA Certified audit company Licence No. 181 Kr. Valdemāra iela 123-15 Rīga, LV-1013 Latvija Certified auditor in charge: Gatis Svīklis Certificate No. 202

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Report of the Management

Type of operations

Likvidējamā AS "KURZEMES ATSLĒGA 1" (hereinafter – the Company) is engaged in production of locks and hinges.

Performance of the Company during the year

On 30 December 2020 the Enterprise Register has accepted and approved the initiation of the liquidation process of the Company. The chairman of the board Pēteris Frīdenbergs has been approved as the liquidator of AS "KURZEMES ATSLĒGA 1".

The deadline for creditor claims' submission was 30 April 2021.

AS "KURZEMES ATSLĒGA 1" core activity has not changed during 2021. Locks, ironmongery, furniture items, forgings of metal, building structures, technologic equipment were being produced and galvanizing services were being rendered.

Sales of the production in 2021 were as follows:

- Sales in Latvia – 80.9 %
- Sales in EU – 10.2 %
- export – 8.9 %

Sales of the production in 2020 were as follows:

- Sales in Latvia – 54.2 %
- Sales in EU – 41.2 %
- export – 4.6 %

The average number of employees in 2021 was 33, the average salary in 2021 was 753 EUR. The average number of employees in 2020 was 69 and the average salary in 2020 was 591 EUR. Thus, the average salary as compared to a year before has increased by 27.4%. The average salary was influenced by downtime in April and May, 2020, due to COVID-19 circumstances.

AS "KURZEMES ATSLĒGA 1" liquidation capital amounts to 115 616 EUR, net sales in 2021 amounted to 758 228 EUR. As compared to 2020, the net sales in 2021 decreased by 743 047 EUR, which amounts to 49.5% of the sales of 2020. The decrease is a result of the suspension of the production in July 2021.

The financial result of the operations of the Company in 2021 was a loss of 576 916 EUR. As at 31 December 2021 the Company's current assets exceeded its current liabilities by 115 616 EUR and the Company had a positive shareholder's (liquidation) capital of 115 616 EUR. It was initially planned to complete the liquidation of the Company during 2021, but based on the global economic situation and the Covid-19 circumstances, the plan was not finalized in 2021. The Company will cover its short-term liabilities by sales proceeds of its assets, including fixed assets, which have been classified within short-term assets as at 31 December 2021.

Financial ratios:

Liquidity

Total liquidity	1.46
Absolute liquidity	0.02

Equity ratios:

Short-term liabilities / short-term assets	3.39
Net working capital EUR	115 616

Solvency ratios:

Liabilities / total balance sheet	0.69
Liabilities / equity	2.19

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Report of the Management (continued)

Future prospects

The Company is in a state of liquidation therefore the going-concern principle is not applicable in the preparation of these financial statements.

Financial risk management

In order to control the financial risks, AS "KURZEMES ATSLĒGA 1" monitors its liquidity and regularly updates its cash-flow forecasts. Active work on cash collection from debtors takes place. Financial resources in the form of credit are being used.

The main financial instruments of the Company are borrowings from the bank, borrowings from other companies and cash. The aim of these financial instruments is to finance the operations of the Company. The Company also has other financial instruments such as trade receivables, trade payables and other creditors arising directly from its operations.

Financial risks

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

Interest rate risk

The Company is exposed to the interest rate risk mainly in connection with its borrowings from bank and other companies. Fixed and variable interest rates are applicable to the borrowings.

Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash resource or by way of using the credit facilities granted by the 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. The Company does not have significant concentration of credit risk for any counterparty or group of eligible counterparties.

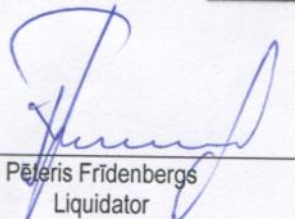
Material risks and uncertainties

After the end of the reporting year, limitations arising from the spread of the coronavirus continued to be in place in the Republic of Latvia and in other countries. The development of the situation is not predictable therefore an economic uncertainty prevails. The liquidator of the Company is constantly contemplating the situation. Currently the company obeys by all the restrictions set on the country. Since the Company's production is related to machinery, remote work is not possible. There is a visible tendency of falling sales and the debtors' payment discipline is deteriorating. The liquidator of the Company considers that the spread of the coronavirus will have a limited effect on the operations of the Company.

Liquidator's proposals on profit sharing or loss cover

The liquidator proposes to offset the loss of 2021 from the liquidation capital.

The report on compliance with the principles of corporate governance in 2021 is published on the JSC "KURZEMES ATSLĒGA 1" website: www.ka1.lv \ akcionāriem.



Pēteris Frīdenbergs
Liquidator

17 May 2022

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

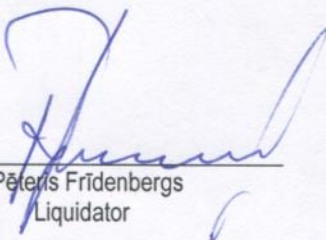
Statement of Liquidator Responsibility

The liquidator of Likvidējamā AS „KURZEMES ATSLĒGA 1” is responsible for the preparation of the financial statements of the Company.

On the basis of information available to the liquidator of Likvidējamā AS „KURZEMES ATSLĒGA 1”, the financial statements are prepared in accordance with the applicable legal framework of the Republic of Latvia and give a true and fair view of the assets, liabilities, financial position, financial result and cash flows of Likvidējamā AS "KURZEMES ATSLĒGA 1". The Report of the Liquidator gives a true information on the Company's development and operating results.

The control procedures on internal risks, risk management and risk control have been managed according to the internal control procedure instructions.

The liquidator of Likvidējamā AS "KURZEMES ATSLĒGA 1" is responsible for obeying the laws of the Republic of Latvia.



Pēteris Frīdenbergs
Liquidator

17 May 2022

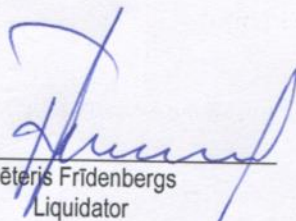
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Corporate Governance Report

Likvidējamā AS „KURZEMES ATSLĒGA 1” Corporate Governance Report of the year 2021 is prepared according to NASDAQ Riga, AS Corporate governance principles and recommendations on their implementation, issued in 2010. The report is worked out in accordance with the principle “respect or explain”.

The report has been prepared by the liquidator of Likvidējamā AS „KURZEMES ATSLĒGA 1”.

This report is prepared and submitted to NASDAQ Riga, AS together with Likvidējamā AS “KURZEMES ATSLĒGA 1” audited annual financial report of 2021 and published at the official web site of NASDAQ Riga, AS www.nasdaqbaltic.com.



Pēteris Frīdenbergs
Liquidator

17 May 2022

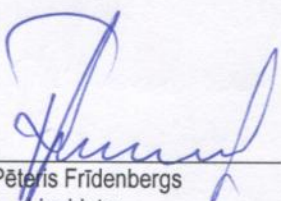
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of Remuneration Report

Likvidējamā AS „KURZEMES ATSLĒGA 1” Remuneration Report of the year 2021 is prepared in accordance with the Financial Instrument Market Law, section 59.4.

The Remuneration Report has been prepared by the liquidator of Likvidējamā AS „KURZEMES ATSLĒGA 1”, to be handed to the shareholders meeting.

This report is prepared and submitted to NASDAQ Riga, AS together with Likvidējamā AS “KURZEMES ATSLĒGA 1” audited annual financial report of 2021 and published at the official web site of NASDAQ Riga, AS www.nasdaqbaltic.com.


Pēteris Frīdenbergs
Liquidator

17 May 2022

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Profit and loss account for the year ended 31 December 2020

	Note	2021 EUR	2020 EUR
Net sales		758 228	1 501 275
Cost of sales	1	(1 330 079)	(1 768 755)
Gross (loss) / profit		(571 851)	(267 480)
Selling expenses	2	(19 416)	(54 004)
Administrative expenses	3	(45 930)	(80 142)
Other operating income	4	219 334	13 785
Other operating expenses	5	(147 771)	(27 876)
Interest expenses and similar expenses	6	(11 282)	(6 136)
Loss before corporate income tax		(576 916)	(421 853)
Corporate income tax for the reporting year		-	(35)
Current year's loss		(576 916)	(421 888)
 Loss per share		 (0.63)	 (0.46)

Notes on pages 14 to 24 form an integral part of these financial statements.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Balance sheet as at 31 December 2021

		31.12.2021. EUR	(1) 31.12.2020. EUR
	Note		
Assets			
Long-term investments			
Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights		-	449
Total intangible assets:	7	-	449
Fixed assets:			
Real estate:			
a) Land, buildings and engineering structures		-	465 514
Equipment and machinery		-	33 454
Other fixed assets		-	5 248
Fixed assets under construction		-	5 822
Total fixed assets:	8	-	510 038
Total long-term investments:		-	510 487
Current assets			
Fixed assets:			
Real estate:			
a) Land, buildings and engineering structures		283 940	-
Equipment and machinery		6 338	-
Other fixed assets		3 711	-
Total fixed assets		293 989	-
Inventories:			
Raw materials and consumables		13 330	255 285
Work-in-progress		-	61 210
Finished goods and goods for sale		-	51 167
Advances for goods receivable		335	10 841
Total inventories:	9	13 665	378 503
Debtors:			
Trade debtors	10	44 182	95 104
Other debtors	11	10 814	6 447
Total debtors:		54 996	101 551
Cash and bank:	12	5 818	102 089
Total current assets:		368 468	582 143
Total assets		368 468	1 092 630

Notes on pages 14 to 24 form an integral part of these financial statements.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Balance sheet as at 31 December 2021

(2)

	Note	31.12.2021. EUR	31.12.2020. EUR
<u>Liabilities and liquidation capital</u>			
Liquidation capital:			
Liquidation capital	13	692 532	1 114 420
Current year's loss		(576 916)	(421 888)
Total liquidation capital:		115 616	692 532
Short-term creditors:			
Other borrowings	14	178 924	192 678
Advances from customers	15	7	9 641
Trade creditors	16	18 530	81 207
Accounts payable to affiliated companies	17	5 885	-
Taxes and the state compulsory social insurance contributions	18	20 217	37 913
Other creditors	19	6 903	28 120
Accrued liabilities	20	22 386	50 539
Total short-term creditors:		252 852	400 098
Total creditors:		252 852	400 098
<u>Total liabilities and liquidation capital</u>		<u>368 468</u>	<u>1 092 630</u>

Notes on pages 14 to 24 form an integral part of these financial statements.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of changes in Liquidation capital for the year ended 31 December 2021

	liquidation capital EUR	Reserves EUR	Retained earnings/loss EUR	Total EUR
Balance as at 31 December 2019	1 285 401	21 000	(191 981)	1 114 420
Reduction of share capital	(367 257)	-	367 257	-
Transfer of retained loss into liquidation capital	175 276	-	(175 276)	-
Transfer of Reserves into liquidation capital	21 000	(21 000)	-	-
Loss for the year	-	-	(421 888)	(421 888)
Balance as at 31 December 2020	1 114 420	-	(421 888)	692 532
Transfer of retained loss into liquidation capital	(421 888)	-	421 888	-
Loss for the year	-	-	(576 916)	(576 916)
Balance as at 31 December 2021	692 532	-	(576 916)	115 616

Notes on pages 14 to 24 form an integral part of these financial statements.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Cash flow statement for the year ended 31 December 2021

	Note	2021 EUR	2020 EUR
Cash flows from operating activities			
Profit or loss before taxation		(576 916)	(421 853)
<u>Adjustments for:</u>			
a) Fixed asset depreciation		216 048	28 873
b) Amortization of intangible assets		449	159
c) Interest expense		11 206	6 136
		<u>(349 213)</u>	<u>(386 685)</u>
<u>Adjustments for:</u>			
a) Debtors decrease		46 555	43 742
b) Inventories decrease		364 838	301 433
c) Trade and other creditors' decrease		(133 492)	(21 745)
		<u>(71 312)</u>	<u>(63 255)</u>
Cash used in operations		<u>(11 206)</u>	<u>(6 136)</u>
Interest paid		-	(35)
Corporate income tax paid		-	-
Net cash used in operations		<u>(82 518)</u>	<u>(69 426)</u>
 Cash flows from investing activities			
Acquisition of intangible assets		-	(3 330)
Net cash used in investing activities		<u>-</u>	<u>(3 330)</u>
 Cash flows from financing activities			
Borrowings (repaid) / received		(13 753)	169 676
Net cash generated from / (used in) financing activities		<u>(13 753)</u>	<u>169 676</u>
 Net increase (decrease) in cash and cash equivalents		<u>(96 271)</u>	<u>96 920</u>
 Cash and cash equivalents at the beginning of the reporting year		102 089	5 169
 Cash and cash equivalents at the end of the reporting year		<u>5 818</u>	<u>102 089</u>

Notes on pages 14 to 24 form an integral part of these financial statements.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes

Accounting policies

(a) Information on the Company

The legal address of Likvidējamā AS "KURZEMES ATSLĒGA 1" is Kalvenes iela 27, Aizpute, Aizputes novads, LV-3456. The Company is registered in Commercial Register with common registration number 40003044007. The Company's shareholders are AS "Kurzemes atslēga" (48.36%), Wiederhold Oliver Kai (17.22%), SIA "Aizputes atslēgas" (15.26%) and others (19.16%). The liquidator of the Company is Pēteris Frīdenbergs. The Company's auditor is the certified audit company Revidentu birojs Gatis Svīklis Lāsma Svīkle SIA and certified auditor in charge Gatis Svīklis.

(b) Financial statements preparation basis

Till 31 December 2019 the Company prepared the financial statements in accordance with the Law on Accounting and Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and based on MK rules No. 775 Application rules of Law on Annual Reports and Consolidated Annual Reports, prepared on a going concern basis.

In accordance with section 3, subsection (6) of the Law on Annual Reports and Consolidated Annual Reports, the Company is classified as a large company. The shares of the Company are listed on NASDAQ stock exchange.

The financial statements for the year ended 31 December 2021 have been prepared on a liquidation basis. Assets have been valued at the recoverable amounts. Liabilities have been valued based on the amounts needed to settle the liabilities.

The profit and loss account is classified by function of expense. Cash flow statement is prepared using indirect method.

Based on the fact that the Company is in a state of liquidation, the going-concern principle is not applicable in the preparation of these financial statements. The assets and liabilities of the balance sheet have been valued in accordance with MK Rule No. 775, section 13.2:

- Intangible assets, fixed assets and inventories have been valued based on the expected proceeds from sale of these assets, net of transaction costs;
- Receivables have been valued based on amounts the recoverability of which is certain;
- Liabilities and accrued liabilities, as well as the liabilities arising from liquidation are based on amounts that are agreed with the creditors and that the Company is liable to settle. If the amounts due to creditors are in dispute, the amounts have been valued based on cost in the accounting records;
- Shareholders' equity, except the profit or loss for the current year, is combined under "Liquidation capital". Liquidation capital is comprised of paid-in share capital, adjusted for share issue discount as well as of other reserves and the accumulated loss of the prior years.

(c) Net sales and income recognition

Net sales represent the total of goods and services sold during the year net of discounts and value added tax. Sales of goods are recognised when the customer has accepted the goods in accordance with the goods delivery terms. Sales of services are recognised in the accounting period in which the services are rendered. Dividend income is recognised when the right to receive payment is established.

(d) Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian official currency - euro (EUR).

Foreign currency transactions have been translated into euro applying the exchange rate valid at the beginning of the day of transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates (at the end of the day) published on the European Central Bank's website.

	31.12.2021 EUR	31.12.2020 EUR
1 USD	1.133	1.228

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

Accounting policies (continued)

(e) Intangible assets and fixed assets

Intangible assets and fixed assets are recorded at historical cost or net of accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the intangible assets and fixed assets. The cost of software licences includes the purchase cost and costs related to their implementation in use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the following rates set by management:

	% per annum
Intangible assets	20
Transmission devices	5
Buildings	2
Technological equipment	10 - 14.3
Other fixtures and fittings, motor vehicles	10 - 20

Where the carrying amount of an intangible or a fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and the value in use of the related intangible or fixed asset.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. When capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the profit and loss account.

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Leasehold improvements are amortised on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit and loss account during the period in which they are incurred.

Intangible and fixed assets are classified under Long-term investments when it is certain that the manufacturing will continue at least one year after the last day of the reporting period.

Despite the fact that the liquidation process of the Company was launched in 2020, the fixed assets were continued to be classified as part of the long term investments, as it was not certain that the liquidation would be finalized within 1 year after 31.12.2020. In addition to that the operating activities of the Company were continued in 2021. In July 2021 the operating activities of the Company were ceased and as of 31 December 2021 a high certainty exists that the liquidation process of the Company will be finalized in 2022. Therefore the fixed assets of the Company as of 31 December 2021 have been classified within current assets, based on values determined by independent certified valuation experts and the realisable value of other assets have been assessed by the liquidator.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realisable value. Based on the fact that the Company is in a state of liquidation and in line with MK rules No. 775, section 13.2, the inventories have been valued at amounts the recoverability of which is certain.

(g) Accounts receivable

Accounts receivable are recorded in the balance sheet at their amortised cost less provisions for impairment. Provisions for impairment are established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for impairment is the difference between the amortised cost and the recoverable amount. The amount of the provision is recognised in the profit and loss account. Based on the fact that the Company is in a state of liquidation and in line with MK rules No. 775, section 13.2, the accounts receivable have been valued at amounts the recoverability of which is certain.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

Accounting policies (continued)

(h) Borrowings

Borrowings are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account or in accordance with fixed asset accounting policy capitalised as part of the cost of fixed assets under construction over the period of borrowings.

(i) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item "Corporate income tax for the reporting year" and disclosed by the components in the notes to the financial statements.

(j) Accrued unused annual leave expenses

Amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current account with banks and other highly liquid investments with original maturities up to 90 days.

(l) Related parties

Related parties are defined as Company's shareholders, members of the Executive Board and Supervisory Board, their close relatives and companies in which they have a significant influence or control.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(1) Cost of sales

	2021 EUR	2020 EUR
Materials and spare parts	473 279	702 874
Salaries	265 199	426 942
State compulsory social insurance contributions	61 520	101 017
Electroenergy costs	52 359	80 843
Depreciation	216 049	28 873
Amortization	449	159
Low value inventory	14 727	420
Depreciation of own punches	18 470	62 310
Customs tax	713	735
External services received	77 046	55 009
Work safety expenses	8 486	11 998
Accrued vacations	-	4 872
Real estate tax	5 304	5 304
Other expenses	15 035	45 642
Expenses total	1 208 636	1 526 998
Accruals for slow moving and obsolete raw materials	-	17 899
Changes in work-in-process	64 315	192 692
Change in goods for sale	57 128	31 166
	1 330 079	1 768 755

(2) Selling expenses

Salaries	4 866	6 057
State compulsory social insurance contributions	1 272	1 826
Selling services	2 247	22 060
Transportation expenses	9 436	21 395
Other expenses	1 595	2 666
	19 416	54 004

(3) Administrative expenses

Salaries	30 389	54 800
State compulsory social insurance contributions	6 915	13 025
Communication expenses	1 071	1 455
Office expenses	3 130	5 836
Audit expenses	3 500	3 500
Bank services	925	1 526
	45 930	80 142

(4) Other operating income

Sales of other assets	185 102	12 823
Financing frm ESF	-	527
Reduction of accruals	30 052	-
Foreign exchange gains	1 858	-
Other income	2 322	435
	219 334	13 785

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(5) Other operating expenses

	2021 EUR	2020 EUR
Foreign exchange loss	-	642
Cost of sold materials	124 568	7 147
Compensation of damage to health	21 270	16 396
Social expenditure	815	1 143
Non-business expenses	-	213
Debtor write-offs	1 006	-
Accruals for doubtful debtors	-	2 083
Other expenses	112	252
	<u>147 771</u>	<u>27 876</u>

(6) Interest expenses and similar expenses

Interest expenses	11 206	5 865
Penalties	76	271
	<u>11 282</u>	<u>6 136</u>

(7) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR	Total EUR
Cost		
31.12.2020.	6 674	6 674
Additions	-	-
Disposals	6 674	6 674
31.12.2021.	-	-
Amortization		
31.12.2020.	(6 225)	(6 225)
Amortization for 2021	(449)	(449)
Disposals	6 674	6 674
31.12.2021.	-	-
Net book value 31.12.2020.	<u>449</u>	<u>449</u>
Net book value 31.12.2021.	<u>-</u>	<u>-</u>

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(8) Fixed assets

	Land, buildings and engineering structures EUR	Equipment and machinery EUR	Other fixed assets EUR	Fixed assets under construction EUR	Total EUR
Cost					
31.12.2020.	1 012 277	1 039 165	109 684	5 822	2 166 948
Additions	-	-	-	-	-
Disposals	(27 886)	(795 472)	(38 298)	(5 822)	(867 478)
31.12.2021.	984 391	243 693	71 386	-	1 299 470
Depreciation					
31.12.2020.	(546 763)	(1 005 711)	(104 436)	-	(1 656 910)
Depreciation for 2021	(17 274)	(12 116)	(1 537)	(5 822)	(36 749)
Provisions for impairment	(164 300)	(15 000)	-	-	(179 300)
Disposed	27 886	795 472	38 298	5 822	867 478
31.12.2021.	(700 451)	(237 355)	(67 675)	-	(1 005 481)
Net book value 31.12.2020	465 514	33 454	5 248	5 822	510 038
Net book value 31.12.2021.	283 940	6 338	3 711	-	293 989

(9) Inventories

	31.12.2021. EUR	31.12.2020. EUR
Materials	6 337	155 261
Low value inventory	-	13 350
Punches and presforms	104 573	104 573
Work-in-process	-	122 421
Goods for sale	-	51 167
Advances for inventories	335	10 841
Provisions for inventory	(97 580)	(79 110)
	13 665	378 503

(10) Trade debtors

Customers' debts	80 357	134 912
Accruals for bad and doubtful debtors	(36 175)	(39 808)
	44 182	95 104

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(10) Trade debtors (continued)

Accruals for bad and doubtful debtors

	Customers' debts EUR	Total EUR
31 December 2020	39 808	39 808
Decrease	(3 633)	(3 633)
31 December 2021	36 175	36 175

(11) Other debtors

	31.12.2021. EUR	31.12.2020. EUR
Expense reports of personnel	-	52
Utility services	-	378
Other debtors	10 814	6 017
	<u>10 814</u>	<u>6 447</u>

(12) Cash and bank

	31.12.2021. EUR	31.12.2020. EUR
Cash at bank	5 154	100 916
Cash at hand	664	1 173
	<u>5 818</u>	<u>102 089</u>

(13) Liquidation capital

As at 31 december 2020 the Company's share capital amounted to 918 144 EUR and it consisted of 918 144 shares with a nominal value of EUR 1 per share.

The Company's share capital was decreased on 12 October 2020 by decreasing the nominal value of each share from EUR 1.40 to EUR 1.00. The Company's share capital amounts to 918 144 EUR as of 31 December 2021 and it consists of 918 144 shares. The nominal value of each share is 1.00 EUR.

	% from share capital	31.12.2021 Amount of shares	EUR	% from share capital	31.12.2020 Amount of shares	EUR
Bearer shares – public	71.5%	656 356	656 356	71.5%	656 356	656 356
Closed-issue shares (ordinary shares with voting rights)	28.5%	261 788	261 788	28.5%	261 788	261 788
	<u>100%</u>	<u>918 144</u>	<u>918 144</u>	<u>100%</u>	<u>918 144</u>	<u>918 144</u>

Shareholders as of 31 December 2021 and their positions

Position in Company

% from share capital

AS "Kurzemes atslēga"	Shareholder	48.36%
Olivers Wiederholds	Shareholder	17.22%
SIA "Aizputes atslēgas"	Shareholder	15.26%
Other shareholders	Shareholder	19.12%
Pēteris Frīdenbergs	Liquidator	0.04%
	<u>Total</u>	<u>100%</u>

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(13) Liquidation capital (continued)

Information pursuant to the requirements set out in Financial Instrument Market Law section 56.¹ - information to be additionally included in the financial statements:

Regulatory requirements

Information on the capital structure, share categories, the rights and obligations arising from each category of the shares and the percentage of the share capital, by specifying separately the number of the shares which are not included in regulated markets

Compliance

Total amount of issued shares are 914 144. 656 356 are bearer' shares, which are circulated in the regular market. 261 788 are registered ordinary shares with voting rights.

Details on the restrictions applicable to share transfers or the need to get the consent of the Company or other shareholders for the alienation of the shares	None
Persons who have directly or indirectly acquired a substantial holding in the Company, as well as their interests	AS "Kurzemes atslēga" 48,36%
Shareholders who have special control rights; description of the rights	None
The manner in which the Company will use the voting rights arising from the shares of employees if they are not used by employees themselves	Such category of shares does not exist
Voting limitations in case of the maximum voting rights are set, independently of the amount of voting shares owned, as well as the shareholder rights to share of profit, which is not related to the shares directly proportionally owned by them and other similar limitations	None
Shareholders' agreement, which is known to the Company and can result in restrictions on the transfer of the shareholders' equity or voting rights to other persons, including the terms and conditions providing for a prior approval of such transfer	None
Terms governing the election of Board members, changes in the composition of the Board and amendments of Articles of Association	In accordance with the Articles of Association and legislative requirements.
The authority of the members of the board, including the authority to issue or to repurchase shares	The authority of the members of the board is determined in the Commercial Law. The members of the Board are not authorised to issue or to repurchase shares without the authorisation of the shareholders' meeting.
All significant agreements and contracts, concluded by the Company under which in the case of change of the control they will become effective, the term of which will expire or which will be modified, as well as the effect of their entry into force, termination or amendment	None
All agreements between the Company and its members of the board, providing for the payment of compensation in the event of the loss of the office, when they are dismissed without sufficient case or when they are dismissed after expressing the offer to repurchase the shares.	None

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(14) Other borrowings

	31.12.2021	31.12.2020.
	EUR	EUR
SIA "Gutta"	-	104 212
AS "Kurzemes atslēga"	178 924	25 104
SIA "Aizputes atslēgas"	-	63 362
	<u>178 924</u>	<u>192 678</u>

(15) Advances from customers

Latvian customers	7	9 641
	<u>7</u>	<u>9 641</u>

(16) Trade creditors

Latvian creditors	17 633	59 958
Foreign creditors	897	21 249
	<u>18 530</u>	<u>81 207</u>

(17) Accounts payable to affiliated companies

AS "Kurzemes atslēga"	5 885	-
	<u>5 885</u>	<u>-</u>

(18) Taxes and the state compulsory social insurance contributions

Value added tax	16 588	17 226
State compulsory social insurance contributions	2 355	15 405
Personal income tax	1 011	4 826
Natural resource tax	260	429
State risk duty	3	27
	<u>20 217</u>	<u>37 913</u>

(19) Other creditors

Salaries	4 475	25 425
Damage to health liability	1 876	1 358
Other creditors	552	1 337
	<u>6 903</u>	<u>28 120</u>

(20) Accrued liabilities

Accrued unused annual leave expenses	3 761	33 814
Accrued liabilities towards suppliers	18 625	16 725
	<u>22 386</u>	<u>50 539</u>

(21) Average amount of employees

	2021	2020
Members of the Board	-	3
Members of the Supervisory Council	-	5
Liquidator	1	
Other employees	33	61
	<u>34</u>	<u>69</u>

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(22) Management remuneration

	2021 EUR	2020 EUR
Liquidator		
- salary	9 000	-
- state compulsory social insurance contribution	1 869	-
Members of the Board		
· salary	-	11 192
· state compulsory social insurance contributions	-	2 552
	<u>10 869</u>	<u>13 744</u>
Members of the Supervisory Council		
· salary	-	7 798
· state compulsory social insurance contributions	-	1 879
	<u>-</u>	<u>9 677</u>

(23) Related party transactions

The related parties of the Company are AS "Kurzemes atslēga" and Liepājas rajona SIA "Gutta".
 The Company engaged in the following transactions with related parties:

(a) Sale of goods and rendering of services

	2021 EUR	2020 EUR
Sale of goods:		
- Liepājas rajona SIA firma "Gutta"	422	6 224
- AS "Kurzemes atslēga"	538 501	1 740
Rendering of services:		
- AS "Kurzemes atslēga"	32 035	60
- Liepājas rajona SIA firma "Gutta"	80	3 718
	<u>571 038</u>	<u>11 742</u>

(b) Purchase of goods and services

Purchase of goods:		
- AS "Kurzemes atslēga"	78 176	124 050
- Liepājas rajona SIA firma "Gutta"	444	1 329
Purchase of services:		
- AS "Kurzemes atslēga"	-	2 220
- Liepājas rajona SIA firma "Gutta"	3 271	316
	<u>81 891</u>	<u>127 915</u>

(a) Debtors arising from transactions with related parties

	31.12.2021. EUR	31.12.2020. EUR
Liepājas rajona SIA firma "Gutta"	1 503	1 399
Asciētās sabiedrības	52 286	529
	<u>53 789</u>	<u>1 928</u>

(b) Creditors arising from transactions with related parties

Associated companies	5 885	-
Liepājas rajona SIA firma "Gutta"	3 073	-
	<u>8 958</u>	<u>-</u>

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)

(24) Proposal of loss coverage

The liquidator proposes to cover the loss of 2021 from the liquidation capital.

(25) Remuneration of auditor

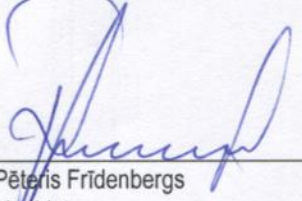
	2021 EUR	2020 EUR
Audit of financial statements	3 500	3 500
	<u>3 500</u>	<u>3 500</u>


(26) Subsequent events

The liquidation process is ongoing. The main emphasis is being directed towards the realization of the Company's real estate. The war started by Russia in Ukraine has deepened the economic instability and the interest to acquire the Company's production facilities has decreased.

Except for the above, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2021.

The Financial statements set out on pages 9 to 24 were signed on 17 May 2022 by:


Pēteris Frīdenbergs
Liquidator


Irēna Burve
Chief accountant

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Likvidējamā AS KURZEMES ATSLĒGA 1

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Likvidējamā AS KURZEMES ATSLĒGA 1 ("the Company") set out on pages 9 to 24 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended,
- the statement of changes in liquidation capital for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Likvidējamā AS KURZEMES ATSLĒGA 1 as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the note (b) "Financial statements preparation basis" of the financial statements that indicates that the going-concern basis is not applicable in the preparation of these financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Audit Procedures Related to Key Audit Matters
<p>Valuation of Fixed assets As disclosed in the Balance sheet of the Company, the Fixed assets amount to EUR 293 989 as at 31 December 2021.</p> <p>Among the most significant Fixed assets are land, buildings and engineering structures.</p> <p>The amount of Fixed assets in the balance sheet is material and Fixed assets are therefore considered a key audit matter.</p>	<p>We interviewed the liquidator of the Company with respect to the valuation of Fixed assets and we identified that the Fixed assets have been valued based on values determined by independent certified valuation experts as well as based on the liquidator's assessment of the recoverable amounts of other fixed assets.</p> <p>We have identified that the Fixed assets have been classified within current assets as the Company is in a state of liquidation and the operating activity has been suspended.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the Fixed assets.</p>
<p>Valuation of Receivables As disclosed in the Balance sheet of the Company, the Receivables amounted to EUR 54 996, incl. Trade debtors of EUR 44 182, as at 31 December 2021.</p> <p>The recoverable amounts of receivables and the necessary amount of provisions for bad and doubtful receivables are significantly influenced by the management's subjective judgement.</p> <p>The amount of receivables in the balance sheet is material and receivables are therefore considered a key audit matter</p>	<p>We interviewed the liquidator of the Company, assessed their objectivity with respect to their assessment of the financial positions of the debtors and the possibility to recover the debts.</p> <p>While assessing the recoverability of the receivables, we analysed the term-structure of the receivables.</p> <p>On a sample basis we sent external confirmations to satisfy ourselves that the valuation of the receivables is not materially misstated.</p> <p>We compared the Company's provisions for bad and doubtful receivables with our calculation.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the provisions for bad and doubtful receivables of the Company.</p>

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Report of the Management, as set out on pages 4 and 5 of the accompanying Annual Report,
- the Statement of Liquidator Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Corporate Governance Report, as set out on page 7 of the accompanying Annual Report,
- the Statement of Remuneration Report, as set out on page 8 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6., 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6., 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, our responsibility is to consider whether the Remuneration Report includes the information required in section 59.4 of the Financial Instruments Market Law of the Republic of Latvia and whether there are material inconsistencies between the Remuneration Report and the financial information presented in the financial statements.

In our opinion, the Remuneration Report includes the information required in section 59.4 of the Financial Instruments Market Law of the Republic of Latvia and there are no material inconsistencies between the Remuneration Report and the financial information presented in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

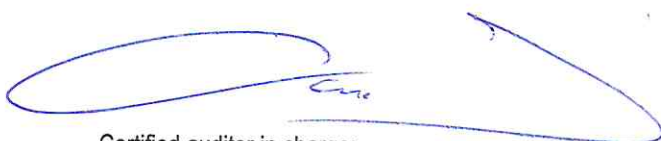
We were appointed by those charged with governance to audit the financial statements of Likvidējamā AS KURZEMES ATSLĒGA 1 for the year ended 31 December 2021. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2019 to 31 December 2021.

We confirm that:

- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Gatis Sviklis.

Revidentu birojs Gatis Sviklis Lāsma Svikle SIA
Certified audit company licence Nr. 181
Kr. Valdemāra street 123 - 15
Rīga, LV - 1013
Latvia



Certified auditor in charge:
Gatis Sviklis
Certificate No. 202

Rīga, Latvia
17 May 2022