

**JOINT STOCK COMPANY
„KURZEMES ATSLĒGA 1”**

REGISTRATION NUMBER 40003044007

**ANNUAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2018**

Aizpute 2019

CONTENTS

Balance Sheet	3
Income Statement	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes to the Financial Statements:	8
Statement about management liability	26
Management Report	27

BALANCE SHEET

ASSETS	Note	31.12.2018 EUR	31.12.2017 EUR
I. Non-current assets			
I. Intangible assets			
1 Concessions, patents, licences, trademarks and similar rights		712	0
Total intangible assets	4	712	0
II. Property, plant and equipment			
1 Land, buildings and engineering constructions		495 366	510 393
2 Technological equipment and machinery		58 798	64 754
3 Other property, plant and equipment		8 119	8 878
4 Construction in progress		5 822	5 822
Total property, plant and equipment	5	568 105	589 847
Total non-current assets		568 817	589 847
II. Current assets			
I. Inventories			
1. Raw materials and consumables	6	380 504	384 903
2. Work in progress		304 792	283 987
3. Finished goods	7	83 329	89 067
4 Advance payment for goods	8	37 145	22 014
Total inventories		805 770	779 971
II. Receivables			
1 Trade receivables	9	188 117	201 034
2 Other receivables	10	17 650	50 613
Total receivables		205 767	251 647
III. Cash	11	1 944	43 597
Total current assets		1 013 481	1 075 215
Total assets		1 582 298	1 665 062

The accompanying notes on pages 8. to 25. are an integral part of these financial statements.

Chairman of the Board

Pēteris Frīdenbergs

Member of the Board

Aiga Ozola

Chief Accountant

Irēna Burve

Aizpute, 25 March 2019

BALANCE SHEET

EQUITY AND LIABILITIES	Note	31.12.2018 EUR	31.12.2017 EUR
I. Equity			
1 Share capital	12	1 285 401	1 285 401
2 Reserves			
a) Share capital reserve		21 000	21 000
b) Revaluation reserve		0	0
3 Retained earnings for the previous year	13	94 515	72 895
4 Retained earnings for the year		-74 275	21 620
Total equity		1 326 641	1 400 916
III. Current liabilities			
1 Bank loan	14	15 876	54 822
2 Advances received from customers	15	34 253	5 324
3 Trade payables	16	77 124	92 901
4 Amounts payable to associated companies	17	43 359	7 206
5 Taxes payable	18	20 886	31 289
6 Other payables	19	27 439	26 605
7 Accrued liabilities	20	36 720	45 999
Total current liabilities		255 657	264 146
Total liabilities		255 657	264 146
Total equity and liabilities		1 582 298	1 665 062

The accompanying notes on pages 8. to 25. are an integral part of these financial statements.

Chairman of the Board

Pēteris Frīdenbergs

Member of the Board

Aiga Ozola

Chief Accountant

Irēna Burve

Aizpute, 25 March 2019

INCOME STATEMENT

	Note	2018 EUR	2017 EUR
1 Revenue	21	1 794 905	1 840 988
b) from other type of economic activities		1 794 905	1 840 988
2 Cost of sales	22	-1 747 860	-1 759 631
3 Gross profit		47 045	81 357
4 Distribution costs	23	-44 834	-63 556
5 Administrative expenses	24	-94 764	-86 340
6 Other operating income	25	39 727	72 055
7 Other operating expense	26	-19 267	-37 294
8 Interest payable and similar expense:			
a) to other persons	27	-1 714	-1 750
9 Profit or loss before tax		-73 807	-35 528
10 Expenses for corporate income tax payments		-468	
11 Profit or loss after tax		-74 275	-35 528
12 Deferred tax income		0	57 148
12 Profit or loss for the year		-74 275	21 620
13 Profit (loss) per share (EPS)		-0.081	-0.249

The accompanying notes on pages 8. to 25. are an integral part of these financial statements.

Chairman of the Board

Pēteris Frīdenbergs

Member of the Board

Aiga Ozola

Chief Accountant

Irēna Burve

Aizpute, 25 March 2019

STATEMENT OF CASH FLOWS

(indirect method)

	2018 EUR	2017 EUR
I. Cash flows from operating activities		
1. Profit or loss before tax	-73 807	-35 528
Adjustments for:		
a) Depreciation of property, plant and equipment	33 774	34 097
b) Write-down of intangible assets	83	0
d) Profit or loss from foreign currency exchange rate fluctuations	-976	4 190
e) Losses from the liquidation of property, plant and equipment	0	-22 193
f) Subsidies, grants, gifts and donations received	0	0
i) Interest payable and similar expenses	1 448	1 745
2. Profit or loss before adjustments in the balances of current assets and short-term liabilities	-39 478	-17 689
Adjustments for:		
a) Increase/ decrease in trade receivables	45 880	-89 872
b) Increase/ decrease in inventories	-25 799	85 950
c) Increase/ decrease in trade and other payables	30 457	37 060
3. Cash generated from operations	11 060	15 449
4. Interest paid	-1 448	-1 745
5. Expenses for corporate income tax payments	-468	0
6. Net cash generated from operating activities	9 144	13 704
II. Cash flows from investing activities		
3. Purchases of property, plant and equipment and intangible assets	-12 827	-3 069
4. Proceeds from disposal of property, plant and equipment and intangible assets	0	0
9. Net cash used in investing activities	-12 827	-3 069
III. Cash flows from financing activities		
3. Loans received	-38946	20593
7. Net cash used in financing activities	-38 946	20 593
IV. Foreign currency exchange rate fluctuations	976	-4 190
V. Net cash flows in the reporting year	-41 653	27 038
VI. Cash and cash equivalents at the beginning of the year	43 597	16 559
VII. Cash and cash equivalents at the end of the reporting year	1 944	43 597

The accompanying notes on pages 8. to 25. are an integral part of these financial statements.

Chairman of the Board

Member of the Board

Chief Accountant

Aizpute, 25 March 2019

Pēteris Frīdenbergs

Aiga Ozola

Irēna Burve

STATEMENT OF CHANGES IN EQUITY

	2018	2017
	EUR	EUR
I. Share capital		
1 Amount indicated in the balance sheet of the previous year	1 285 401	1 285 401
4 Amount indicated at the end of the period in the balance sheet of the financial year	1 285 401	1 285 401
V. Reserves		
1 Amount indicated in the balance sheet of the previous year	21 000	43 193
2 Reserves increased through the share capital	0	-22 193
3 Amount indicated at the end of the period in the balance sheet of the financial year	21000	21000
VI. Retained earnings		
1 Amount indicated in the balance sheet of the previous year	94 515	72 895
2 Increase/decrease in retained earnings	-74275	21620
3 Amount indicated at the end of the period in the balance sheet of the financial year	20240	94515
VII. Equity		
1 Amount indicated in the balance sheet of the previous year	1 400 916	1 401 489
2 Amount indicated at the end of the period in the balance sheet of the financial year	1326641	1400916

The accompanying notes on pages 8. to 25. are an integral part of these financial statements.

Chairman of the Board

Pēteris Frīdenbergs

Member of the Board

Aiga Ozola

Chief Accountant

Irēna Burve

Aizpute, 25 March 2019

NOTES TO THE FINANCIAL STATEMENTS

General information

Name of the company	Stock Company "KURZEMES ATSLĒGA 1"		
Legal form of the company	Stock Company		
Registration number, place and date of registration	40003044007, Riga, November 29. 1991		
Re-registration in Commercial Register	40003044007, Riga, on 11 .June 2004		
Legal address	27 Kalvenes str.,Aizpute,, LV-3456		
Board from 21.07.2017	<i>Pēteris Frīdenbergs</i>	Chairman of the Board	until 07.03.2019
	<i>Aldis Ozols</i>	Member of the Board	
	<i>Aiga Ozola</i>	Member of the Board	
Council	<i>Guntars Stekjānis</i>	Chairman of the Council	
	<i>Voldemārs Magone</i>	Member of the Council	
	<i>Rolands Līvmanis</i>	Member of the Council	
	<i>Jānis Kārklīņš</i>	Member of the Council	
	<i>Irēna Burve</i>	Member of the Council	
Major shareholders as at 31.12.2017	JSC "Kurzemes atslēga"	48.4%	
	Wiederhold Oliver Kai	16.9%	
	SIA "Aizputes atslēgas"	8.5%	
	SIA "Gutta"	6.8%	
	Others	19.4%	
LEI code	529900VBOFPKLRG9DL23		
Economic activity	25.72 production of locks and hinges		
Financial year	01.01.2018	31.12.2018	
Auditor	MARIJA JANSONE	LLC "NEXIA AUDIT ADVICE"	
	Certified Auditor of the Republic of Latvia	9-3 Grecinieku Street, Riga	
	Certificate No. 25	Latvia, LV – 1050	
		Reg.No. 40003858822	
		Licence No.134	

Notes to the Financial Statements (*continued*)**Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Law on Accounting, Law on Annual Reports and Consolidated Annual Reports, Regulations No.775 of 22.12.2015. issued by the Cabinet of Ministers of the Republic of Latvia "Enforcement policies of the Law on Annual Reports and Consolidated Annual Reports".

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is Euro (EUR), the monetary unit of the Republic of Latvia. Company's accounting and evaluation methods haven't changed compared with previous reporting period.

The income statement is classified by function of expense. Due to changes in laws and regulations - Law On Annual Reports lapsed on 1 January 2016 and Law on Annual Reports and Consolidated Annual Reports entered into force - classification name of the income statement has changed, replacing the name "by turnover cost method" with "classified according to the function of expenses". Contents and nature of the items does not change due to the change in the name.

Accounting principles applied

Items of the financial statements have been evaluated according to the following accounting principles:

- a) assumption, that a Company is a going concern;
- b) the same evaluation methods are used as in the previous reporting year;
- c) evaluation is made with proper precaution:
 - the report includes profit that was acquired till the date of the statement of financial position;
 - all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of statement of financial position and the date, when annual report was signed;
 - all impairments and depreciation amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss;
- d) income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year;
- e) assets and liabilities items are evaluated separately;
- f) opening balances of the reporting year match closing balances of the previous year;
- g) all the items, that significantly affect assessment and decision-making of the users of the annual report, are disclosed, non-significant items have been combined and the details are disclosed in the notes;
- h) business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form;
- i) balance sheet and income statement items are stated at the cost of acquisition or production. The cost of acquisition is the purchase price of goods or services (less any discounts granted) plus any extra costs related to the purchase. The cost of production is the cost of acquiring raw materials and consumables and other expenses that are directly attributable to the construction of the asset. The cost of production may also include portions of expenses that are indirectly related to the construction of the asset, provided these costs are attributable to the same period.

Reporting period

The financial statements cover the period from **01.01.2018** till **31.12.2018**

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

Contingencies

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Currency and foreign currency revaluation

The functional currency of the Company and monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. All transactions in the foreign currency are revaluated to euro according to the Euro foreign exchange reference rates set by the European Central Bank, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last day of the reporting year.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the income statement in net value.

	31.12.2018	31.12.2017
USD	1.1454	1.1993

Non-current and current items

Amounts presented in long-term items are the amounts with the maturity term for receipt, payment or write-off coming into effect more than a year after the end of the respective reporting year. Amounts receivable, payable or to be written-off within a year are presented as short-term items.

Related parties

Related parties are defined as Company's shareholders, board members (key management personnel) and entities that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

Related parties are defined also as entities in which the Company has significant influence or control.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are initially measured at cost.

Property, plant and equipment are recognized as non-current assets if their acquisition cost exceeds 70 euros. Purchases under 70 euros are recognised as low-value inventory.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Only rights acquired in exchange for consideration are indicated in the item "Concessions, patents, licenses, trademarks, and similar rights".

Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Intangible assets:

Computer software etc.	20	%
------------------------	----	---

Property, plant and equipment

Buildings and construction	2	%
Transmission equipment	5	%
Technological plant and machinery	10,14.3	%
Vehicles	14.3	%
Other fixed assets and equipment	20,10	%

Depreciation is calculated starting with the following month after the intangible asset or property, plant and equipment is ready for intended use. Land is not depreciated. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the higher of an asset's net selling price and its value in use.

Profit or loss from alienation of a long-term investment object is indicated in the income statement in the net value.

Repair and restoration costs that increase useful life and value of assets are capitalized and depreciated over their estimated useful lives. Other repair and restoration costs are recognized as expenses of the reporting period.

The initial value of construction in progress is increased by other direct costs incurred in relation to the object until the new object is put into operation. The initial value of the respective asset is not increased by the interest of the loans used for creation of the new asset.

If investments are made in the rented asset (e.g., reconstruction, improvement or renewal), then such costs are recognized in the balance sheet item "Long-term investments in leased assets" and depreciated over the lease period.

Revaluation of fixed assets and establishment of reserve

A fixed assets object, the value of which is significantly higher than the costs of its acquisition or production cost price or assessment on the balance sheet of the previous year, is revalued according to its higher value, if it may be assumed that the value increase will be long-term. A difference arisen as a result of such revaluation between assessment, which was carried out on the basis of acquisition costs or production cost price, and assessment which was carried out on the basis of revaluation, if such difference is positive, is included in the relevant assets item of the balance sheet where revalued object of fixed assets is indicated and in the liabilities item of the balance sheet "Revaluation reserve of long-term investments" under the section "Equity".

Development costs

Development costs are costs which are directly eligible to development measures or which may be justifiably related to these measures.

Inventories

Inventories are stated at the lower of cost and net realisable value according to the perpetual inventory method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is disclosed at the purchase (production) cost less provisions made.

Receivables

Receivables are recognized at original invoice amount less an allowance for any doubtful amounts. The allowance for any doubtful amounts is made in the cases, when the collection of these amounts is problematic. Bad debts are written off when the recovery is deemed impossible.

Signs that an amount receivable may be doubtful:

- delayed payment of debt, after repeated reminders the debtor still does not pay or the debtor is questioning the Company's right to recover the debt;
- the debtor's poor financial situation and negative operating results or other circumstances indicating the debtor's failure to pay the full amount of the debt (known, that the debtor is subject of proceedings for its recognition as bankrupt), etc.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Other receivables

The Company under the item "Other receivables" presents those debtors that cannot be presented in other items, including tax overpayments, debit balances of accounts payable.

Prepaid expense and deferred revenue

Payments made before the balance sheet date but referring to the next financial years shall be indicated in the item "Prepaid expense".

Payments received before the balance sheet date but referring to the next financial years or further financial years shall be indicated in the balance sheet item "Deferred revenue".

Other securities and investments

Long-term investments in bonds and securities are measured at cost in the balance sheet. Short-term investments in shares and securities, which are listed on the stock exchange, are measured at market value in the balance sheet, which is determined by the stock exchange transactions on the last day of the reporting year.

Cash

Cash and cash equivalents include cash in bank and on hand.

Share capital

The item "Equity" shows the share capital according to the capital registered in the Commercial Register.

Share capital reserve

Reserve has emerged as a result of the share capital denomination

Payables

Payables are reported according to supporting documents and checked with respective creditors by reconciling balances

Loans and borrowings

Loans and borrowings are initially recognized at cost, determined by the fair value and plus directly attributable transaction costs for issued loans and net of directly attributable transaction costs for borrowings received.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the income statement as interest expense.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Accrued income

As accrued income are recognized clearly known settlement amounts with buyers and customers for the supply of goods or services in the reporting year but for which payment documents (invoices) have not been issued by the balance sheet date due to the terms of the agreement.

Accrued liabilities

Accrued liabilities comprise clearly known trade payables for goods or services which have been supplied during the reporting year but for which payment documents (invoices) have not been received by the balance sheet date due to the terms of the supply, sale or contractor agreement or for any other reasons.

Reserve for unused leaves

Reserve for unused leaves is determined by multiplying the average salary for the last six months of the reporting year of each employee by the number of unused accrued annual leave days.

Advances from customers

Advances from customers are payments which in accordance with the contract the buyer pays the seller before the receipt of goods or service.

Other payables

The company under the item "Other payables" presents those creditors that cannot be presented in other items, including credit balances of accounts receivable.

Dividends

Claims and obligations in respect of dividends are recognized when the shareholders' right to receive the payment is established, which means that only when the distribution is authorised by the shareholders decision, as well as when the amount of dividends is calculated.

Taxes and mandatory state social insurance contributions

Tax information is reconciled with the tax administration. The Company presents within payables only tax debts, any overpayments are presented under other receivables.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) it is probable that the economic benefits associated with the transaction will flow to the Company;
- 4) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company reports the sale of goods, taking into account the economic substance and not merely the legal form.

Provision of services

Revenue arising from the rendering of services is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the balance sheet date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.

Other income

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the income statement as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the income statement as incurred;

- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- dividends - when the shareholder's right to receive payment is established;
- other income – as incurred.

Recognition of expenses

Expenditure is recognized and accounted for on an accrual basis, which states that the expense is recognized in the period in which it is incurred;

Expenses consist of a reduction in economic benefits arising from the use of assets, depreciation, alienation or the incurrence or increase of liabilities and which reduce equity. Expenditure is recognized according to established procedures: if the use of resources has occurred or is expected, the amount of expenditure can be reliably estimated.

Corporate income tax

Corporate income tax includes current corporate income tax. Corporate income tax is recognized in the income statement. Current corporate income tax is calculated in accordance with the Law on Corporate Income Tax and is applied statutory tax rate of 15% on taxable income.

Due to the new corporate income tax regulation, deferred tax were excluded from the balance sheet, as they were calculated in accordance with the previous corporate income tax regulation..

Starting from 2018, the corporate income tax will be calculated for distributed profit by applying a tax rate of 20%. The corporate income tax will be accepted at the time when the shareholders of the Company adopt their decision on profit distribution or when such expenses are further development of the Company (deemed profit distribution). Tax liabilities are compared with State Revenue Service data.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

The Board and chief accountant prepared the Company's Annual report for the year ended 31 December 2018 and signed it on March 25, 2019

NOTES TO THE BALANCE SHEET (continued)

	2018	2017
1 Average number of employees during the reporting year, incl.	82	81
Members of the Board	3	3
Members of the Council	5	5
Other employees	74	73
	2018	2016
	EUR	EUR
2 Total labour costs	685 709	658 119
- salaries	554 252	534 525
- state mandatory social insurance payments	131 457	123 594
Remuneration of employees engaged in production (core activity)		
- salaries	487 325	470 474
- state mandatory social insurance payments	115 614	109 829
- total	602 939	580 303
Remuneration of administration		
- salaries	65 783	62 974
- state mandatory social insurance payments	15 599	13 543
- total	81 382	76 517
3 Management remuneration		
<i>Members of the Council</i>		
- salaries	8 892	8 892
- state mandatory social insurance payments	2 142	2 098
- total	11 034	10 990
<i>Members of the Board</i>		
- salaries	11 531	9 460
- state mandatory social insurance payments	2 631	2 153
- total	14 162	11 613
Remuneration of personal for social sphere		
- salaries	1 144	1 077
- state mandatory social insurance payments	244	222
- total	1 388	1 299

4. Intangible assets

	Concessions, patents, licences, trademarks and similar rights	Advance payments	Total intangible assets
	EUR	EUR	EUR
Purchase value as at 31.12.2016	5 629	0	5 629
Purchase value as at 31.12.2017	5 629	0	5629
Depreciation as at 31.12.2016	5 629	0	5629
Depreciation as at 31.12.2017	5 629	0	5629
Residual balance value 31.12.2016	0	0	0
Residual balance value 31.12.2017	0	0	0
			0
Purchase value as at 31.12.2017	5 629	0	5629
Additions	795		795
Purchase value as at 31.12.2018	6 424	0	6424
			0
Depreciation as at 31.12.2017	5 629	0	5629
Calculated	83		83
Depreciation as at 31.12.2018	5 712	0	5712
Residual balance value 31.12.2017	0	0	0
Residual balance value 31.12.2018	712	0	712

5. Fixed assets

	Land	Buildings, constructions	Technological equipment and machinery	Other property, plant and equipment	Origination of capital assets	Total
Purchase value as at 31.12.2016	23 924	988 353	1 161 203	132868	5 822	2 312 170
Additions	0	0	0	3069	0	3 069
Disposal	0	0	-837	-8905	0	-9 742
Reclassification	0	0	0		0	0
Purchase value as at 31.12.2017	23 924	988 353	1 160 366	127032	5 822	2 305 497
						0
Depreciation as at 31.12.2016	0	486 857	1 080 624	123814	0	1 691 295
Calculated	0	15 027	15 825	3245	0	34 097
Disposal	0	0	-837	-8905	0	-9 742
Depreciation as at 31.12.2017	0	501 884	1 095 612	118154	0	1 715 650
Residual balance value 31.12.2016	23 924	501 496	80 579	9 054	5 822	620 875
Residual balance value 31.12.2017	23 924	486 469	64 754	8878	5 822	589 847
						0
Purchase value as at 31.12.2017	23 924	988 353	1160366	127032	5 822	2 305 497
Additions	0	0	9996	2036	0	12 032
Disposal	0	0	-98591	-7366	0	-105 957
Purchase value as at 31.12.2018	23 924	988 353	1 071 771	121702	5 822	2 211 572
						0
Depreciation as at 31.12.2017	0	501 884	1 095 612	118154	0	1 715 650
Calculated	0	15 027	15952	2795	0	33 774
Disposal	0	0	-98591	-7366	0	-105 957
Depreciation as at 31.12.2018	0	516 911	1 012 973	113 583	0	1 643 467
Residual balance value 31.12.2017	23 924	486 469	64 754	8878	5 822	589 847
Residual balance value 31.12.2018	23 924	471 442	58 798	8119	5 822	568 105

Real estate	Cadastral No.	Cadastral value as at 31.12.2018	Book value as at 31.12.2018
<i>Land</i>	EUR	20 717	23 924
<i>Buildings</i>	EUR	332 489	471 442

6 Raw materials and consumables	31.12.2018	31.12.2017
	EUR	EUR
Raw materials	184136	177636
Low-value materials and inventory	18345	23259
Press-form	178023	184008
Total	380 504	384 903
7 Finished goods	31.12.2018	31.12.2017
	EUR	EUR
Finished products in warehouse	83 329	89 067
Total	83 329	89 067
8 Advance payment for goods	31.12.2018	31.12.2017
	EUR	EUR
Diesel	305	268
Material	36 840	21 746
Total	37 145	22 014
9 Trade receivables	31.12.2018	31.12.2017
	EUR	EUR
Carrying amount of trade receivables	206 521	219 692
Allowance for doubtful debts	-18 404	-18 658
Net trade receivables	188 117	201 034
Movements in the allowance for doubtful debts	Trade receivables	Total
Allowance as at 31.12.2016	18 658	21 845
Decrease	(254)	(3 187)
Increase	0	0
Allowance as at 31.12.2017	18 404	18 658
10 Other receivables	31.12.2018	31.12.2017
	EUR	EUR
The overpaid taxes	2990	940
Personnel debts	70	238
Public utilities payment	2109	8074
Other debts	12481	41361
Total	17 650	50 613
11 Cach	31.12.2018	31.12.2017
	EUR	EUR
Cash at bank	1 114	43 176
Cash in hand	830	421
Total	1 944	43 597

13 Share capital

As at 31 December 2018.registered and fully paid share capital of the company is EUR 1285401 and it consist of 918144 shares with a per value of EUR 1.40 per share.As at 31 December 2017.registered and fully paid share capital of the company is EUR 1285401 and it consist of 918144 shares with a per value of EUR 1.40 per share.

Capital structure kategorija	31.12.2018			31.12.2017		
	% of share capital	Number of shares	EUR	% of share capital	Number of shares	EUR
Bearer shares with voting rights - publicly traded	71.5%	656 356	918 898	71.5%	656 356	918 898
Registered (closed issue)shares	28.5%	261 788	366 503	28.5%	261 788	366 503
Total	100%	918 144	1 285 401	100%	918 144	1 285 401

Shareholders of the Company as at 31.December 2018 and their position in the Company

Shareholders	Position in the Company	% of share capital
AS"Kurzemes atslēga"	shareholder	48.40%
Wiederhold Oliver Kai	shareholder	16.90%
SIA"Aizputes atslēgas"	shareholder	8.50%
SIA"Gutta"	shareholder	6.80%
Other shareholders	X	19.40%
Kopā:	x	100.00%

Council and board members do not own shares.

Details of the restrictions on the transfer of shares.

Restrictions on the transfer of shares or receipt of specific consent for transfer of shares have not been determined.

Shareholders' rights and agreements

Regulated by Latvian laws and regulations,the Company's Statutes does not define special restrictions or provisions relating to the voting rights.

The Company has no information on any shareholders agreement.

Powers of board members and special agreements.

According to Company's Statutes ,the Company shall be represented either by chairman of the Board alone or other two Board members together.

The rules for the election of board members,amendments of the Statutes.

Regulated by Latvian laws and regulations,the Company's Statutes does not define special restrictions or provisions relating to the selection of board members,changes in the composition of the Board and amendment of the Statutes

13	Retained earnings	31.12.2018	31.12.2017
		EUR	EUR
	Retained earnings for the previous year	94 515	72 895
	Retained earnings for the year	-74 275	21 620
	Total	20 240	94 515
	Provisions	31.12.2018	31.12.2017
		EUR	EUR
	Deferred tax liabilities	0	0
	Total	0	0
14	Bank kredit(short term)	31.12.2018	31.12.2017
		EUR	EUR
	AS Luminor bank	15 876	54 822
	Total	15 876	54 822
	Advance payment	31.12.2018	31.12.2017
		EUR	EUR
	Customers in Latvia	421	3 344
	Foreign customers	33 832	1 980
	Total	34 253	5 324
15	Trade payables	31.12.2018	31.12.2017
		EUR	EUR
	Latvian trade payables	76 700	76 589
	Foreign trade payables	424	16 312
	Total	77 124	92 901
16	Liabilities to associated (Enterprises short term)	31.12.2018	31.12.2017
		EUR	EUR
	AS"Kurzemes atslēga"	43 359	7 206
	Total	43 359	7 206
18	Taxes payable	31.12.2018	31.12.2017
		EUR	EUR
	State mandatory social insurance payments	15 456	15 023
	Personal income tax	5 092	7 047
	Value added tax	0	8778
	Natural resources tax	274	408
	State fee of business risk	64	33
	Total	20 886	31 289

19 Other payables	31.12.2018	31.12.2017
	EUR	EUR
Salaries	25 734	24 734
Harm recompense	1 278	1 314
Other kreditors	427	557
Total	27 439	26 605

20 Accrued liabilities	31.12.2018	31.12.2017
	EUR	EUR
Accrued liabilities - unused annual leaves	27 988	31 696
Accrued liabilities	8 732	14 303
Total	36 720	45 999

NOTES TO THE INCOME STATEMENT

21 Revenue	Nace	2018	2017
		EUR	EUR
Revenue from production of locks and ironmongery	25,72	1 660 057	1 676 061
Revenue from rendering of services		134 848	164 927
Total		1 794 905	1 840 988

21a Revenue by geographical segments		2018	2017
	Code	thousand EUR	thousand EUR
Latvia	LV	1035.8	1101.6
Lithuania	LT	400.2	381.1
Estonia	EE	177.7	161.7
Uzbekistan	UZ	81	140.2
Nederland	NL	53	9.4
Denmark	DK	3.1	23
Russia	RU	10.8	12.9
Vācija	DE	23.1	5.6
Other		10.2	5.5
Total		1794.9	1841

22 Cost of sales	2018	2017
	EUR	EUR
Material cost	913 071	840 729
Salaries	481 341	457 706
State mandatory social insurance payments	114 165	106 865
Electricity costs	91 206	97 708
Property, plant and equipment depreciation	33 774	33 236
Intangible assets depreciation	83	0
Depreciation of low inventory	4 134	119
Press-form depreciation	5 985	1 106
Import duty	3 947	3 107
Received services	29 656	81 290
Environment protection expenses	12 181	11 233

Accrued liabilities vacations	0	388
Property tax	5 304	5 301
The rest of expensis	68 081	64 906
Total	1 762 928	1 703 694
Correction of expenses		
Changes of remains unfinished production	-20 806	36 155
Changes of remains of complete product	5 738	19 782
Total	1 747 860	1 759 631
23 Distribution costs	2018	2017
	EUR	EUR
Salaries	5984	12768
State mandatory social insurance payments	1449	2964
Marketing services	18 268	30 110
Goods delivery costs	18 909	17 331
Other costs	224	383
Total	44 834	63 556
24 Administrative expenses	2018	2017
	EUR	EUR
Administrative personnel expenses	65 783	62 974
State mandatory social insurance payments	15 599	13 543
Communication expenses	1 886	1 694
Office maintenance expenses	7 998	4 826
Annual report and audit expenses	2 000	2 000
Bank charges	1 498	1 303
Total	94 764	86 340
25 Other operating income	2018	2017
	EUR	EUR
Sales of current assets	31 683	41 018
Income from exchange rate fluctuations	976	0
EU financing	3 341	491
Other income	3 727	30 296
Proceeds from sale of property, plant and equipment, net	0	250
Total	39 727	72 055
26 Other operating expense	2018	2017
	EUR	EUR
Losses from foreign currency exchange rate fluctuations, net	0	4190
Harm recompense	15409	16309
Expenses for social sphere	1388	1298
Expenses ,unrelated with economic activity,	480	1291
Losses from liquidated debtors	559	0
Other expenses	1431	14206
Total	19 267	37 294

27	Interest payable and similar expense	2018	2017
		EUR	EUR
	Interest	1 448	1 745
	Interest cover	266	5
	Total	1 714	1 750
28	Deferred tax revenue	2018	2017
		EUR	EUR
		0	57 148
29	Sworn auditor's remuneration	2018	2017
		EUR	EUR
	Statutory audit of the Annual report	2 000	2 000
	Other audit engagement	0	0
	Tax consultancy	0	0
	Other expert tasks	0	0
	Total	2 000	2 000

30 Financial risk management

The Company faces such financial instruments as loans from credit institutions, finance lease companies, purchaser and commissioning party debts and other debtors, debts to suppliers and contractors and other payables, and the rest creditors, deriving from the Company's economic activity directly.

Financial risks

The main financial risks that are related to the Company's financial instruments are currency risk, liquidity risk and credit risk.

Currency risk

The Company's monetary assets and liabilities that are subjected to foreign currency risk comprise cash, debts to suppliers and contractors. The Company is exposed to the foreign currency risk mainly, due to the USD currency.

Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash or by ensuring sufficient financing through loans from credit institutions, as well as financial leases.

Credit risk

The Company is exposed to credit risk. It arises from trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. The company has no significant concentration of risk in respect to any business partner or group of business partners with a similar description.

31 Information on significant lease contracts

During the reporting year the Company has terminated the lease agreement with SIA "Kurz"

32 Financial assistance received and other forms of financial support

During the reporting year, the Company has received 3341 EUR funding from the EU

During the reporting year the Company did not receive any state or local government guarantees or equity contributions.

During the reporting year the Company did not receive any donations or gifts.

33 Transactions with related parties

Materials
 purchased
 from
 associated
 person in
 2018(EUR)

Service provided
 sold to the
 associated
 company in
 2018,(EUR)

AS"Kurzemes atslēga"	220 412	60
SIA"Aizputes Atslēgas"	41 235	1 401
Liepājas rajona SIA firma "Gutta"	64 186	23 561

34 Liabilities to former employees

The Company has liabilities to its former employees - compensation for damages.
 17former employees receive a monthly remuneration for damage done to their health.

35 Events after the reporting period

In the period from the last day of the reporting year till signing this report, there have been no substantial events affecting the final results of the Annual report

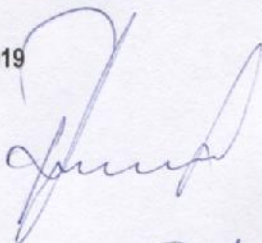
36 Company business continuity

As at 31December 2018,the Company ended thereporting year with a loss of EUR 74275.The management of the Company predicts that it will have noliquidity problems and the Company will be able to settle within the set terms.If necessary,the members of the Company are ready to provide support to the public.Therefore ,the Company's management believes that the going concern assumption to the preparation of these finansial statement

The Board and chief accountant prepared the Company's Annual report for the year ended 31 December

2018 and signed it on March 25,2019

Chairman of the Board



Pēteris
Frīdenbergs

Member of the Board



Aiga Ozola

Chief Accountant



Irēna Burve

Aizpute,25 March 2019

STATEMENT ABOUT MANAGEMENT LIABILITY

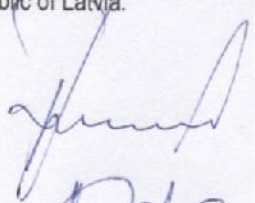
The Management of Joint Stock Company "KURZEMES ATSLĒGA 1" is responsible for the preparation of the Company's Annual Report.

The Management of Joint Stock Company "KURZEMES ATSLĒGA 1" in accordance with information available confirms that the Annual Report for the financial year 2018 has been prepared in accordance with the requirements of the applicable laws and regulations and gives a true and fair view on the JSC "KURZEMES ATSLĒGA 1" assets, liabilities, financial position and loss. The Management Report provides true review of JSC "KURZEMES ATSLĒGA 1" growth and performance results.

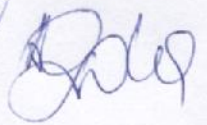
Internal risk control procedures are effective, risk management and internal control during the reporting year were performed in accordance with internal control procedures.

The Management of Joint Stock Company "KURZEMES ATSLĒGA 1" is responsible for the compliance with the requirements of laws and regulations of the Republic of Latvia.

Chairman of the Board


Pēteris Frīdenbergs

Member of the Board


Aiga Ozola

Aizpute, 25 March 2019

Management report

Company's action during reporting period

The action type of the Joint Stock Company "KURZEMES ATSLĒGA 1" during 2018 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.

Volume of sold production in 2018 divides as follows:

- sold in local market (Latvia) – 57.7%,
- EU deliveries 37.8 %
- exported – 4.5 %

Volume of sold production in 2017 divides as follows:

- sold in local market (Latvia) – 59.8%,
- EU deliveries 32.6 %
- exported – 7.6 %

Average number of employees in 2018 was 82, average salary in 2018 – 563 EUR, average number of employees in 2017 was 81, average salary 550 EUR. In comparison with corresponding period of previous period, average salary is up by 2.4%.

The Company's financial performance and financial situation

The fixed asset of the JSC "KURZEMES ATSLĒGA 1" is 1 285 401 EUR, net turnover of the 2018th 1794905EUR.

Net turnover in 2018 has decreased by 46 083 EUR, compared to 2017, which is 2.5% of the turnover of 2017.

The main export markets in EU are Lithuania and Estonia. As at 31 December 2018, the Company ended the reporting year with a loss of EUR 74275. The management of the Company predicts that it will have no liquidity problems and the Company will be able to settle with the creditors within the set terms. If necessary, the members of the Company are ready to provide support to the public. Therefore, the Company's management believes that the going concern assumption is applicable to the preparation of these financial statements.

Los per share – 0.081 EUR

Financial results:

Liquidity (solvency, i.e. ability to cover completely its current liabilities)

Total liquidity ratio	3.96
Intermediate liquidity ratio	0.81
Absolute liquidity ratio	0.01

Profitability (Company's success in profit making)

Gross profit ratio	2.6%
--------------------	------

Secured by own funds ratio

Current assets with short-term liabilities	0.25
Net working capital EUR	757824

Liability or solvency ratios (Company's ability to cover current and non-current liabilities)

Debt to assets ratio	0.16
Debt to equity ratio	0.19

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

The further development of the company and future prospects

1. Retain existing customers and continue to attract new clients.
2. To optimize the production and selling costs.
3. To optimize the use of production facilities.

Events in research and development

No research works are planned.

A set of shares or parts of the Company

A Company does not own its shares.

The Company's branches and representatives abroad.

N/A

Financial risk management

To ensure financial risk management JSC "Kurzemes atslēga 1" follows-up the liquidity, take regular controls on cash flow of the enterprise. Active work with collection of fiscal debts is being provided. Financial resources – credit is being attracted.

The Company's main financial instruments comprise loans from credit institutions, loans from other companies, and cash. The task of these financial instruments is to ensure financing of the business activity. The Company has various other financial instruments such as trade receivables, trade payables and other creditors resulting from economic activity.

Financial risks

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. The Company does not have significant concentration of credit risk for any counterparty or group of eligible counterparties

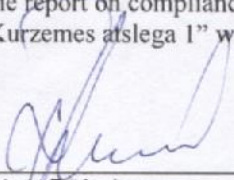
Events and circumstances after the end of the reporting year

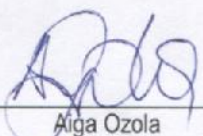
During the period of the last day of the reporting year till signing these financial statements, there have been no events that could substantially affect the information reflected in these financial reports and that may result in further adjustments or should be clarified.

Management's proposals on profit sharing or loss cover

Management proposes to use the profit of 2017 for the development of the Company.

The report on compliance with the principles of corporate governance in 2018 is published on the JSC "Kurzemes atslēga 1" website: www.ka1.lv/investors


Pēteris Frīdenbergs
Chairman of the Board


Aiga Ozola
Board member:

Aizpute, 25 March 2019