

**JOINT STOCK COMPANY
"KURZEMES ATSLĒGA 1"**

REGISTRATION NUMBER 40003044007

**ANNUAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2019**

Aizpute
2020

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Akciju sabiedrība "KURZEMES ATSLĒGA 1"
reģ. Nr. 40003044007
Kalvenes iela 27, Aizpute, Aizputes nov., LV-3456
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

Information on the Company

Name of the Company	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
Names of major shareholders	AS "Kurzemes atslēga" (48.36%) Wiederhold Oliver Kai (17.12%) SIA "Aizputes atslēgas" (15.26%) Others (19.26%)
Names and positions of Board members	Pēteris Frīdenbergs – Chairman of the Board Aldis Ozols – Member of the Board (till 28.03.2019) Aīga Ozola – Member of the Board Voldemārs Magone – Member of the Board (from 04.06.2019)
Names and positions of the Supervisory Council members	Guntars Stekjānis – Chairman of the Supervisory Council Voldemārs Magone – Member of the Supervisory Council (till 04.06.2019) Irēna Burve – Deputy Chairman of the Supervisory Council (from 04.06.2019) Rolands Līvmanis – Member of the Supervisory Council Jānis Kārklīņš – Member of the Supervisory Council (till 04.06.2019) Ilgvars Jurjāns – Member of the Supervisory Council (from 04.06.2019) Daiga Lankovska – Member of the Supervisory Council (from 04.06.2019)
Financial year	1 January - 31 December 2019
Name and address of the certified audit company and certified auditor in charge	Revidentu birojs Gatis Sviklis Lāsma Svikle SIA Certified audit company Licence No. 181 Kr. Valdemāra iela 123-15 Rīga, LV-1013 Latvija Certified auditor in charge: Gatis Sviklis Certificate No. 202

Report of the Management

Type of operations

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

Performance of the Company during the year

AS "KURZEMES ATSLĒGA 1" core activity has not changed during 2019. Locks, ironmongery, furniture items, forgings of metal, building structures, technologic equipment are being produced and galvanizing services are being rendered.

Sales of the production in 2019 were as follows:

- Sales in Latvia – 52.5 %
- Sales in EU – 37.7 %
- export – 9.8 %

Sales of the production in 2018 were as follows:

- Sales in Latvia – 57.7%
- Sales in EU – 37.8 %
- export – 4.5 %

The average number of employees in 2019 was 76, the average salary in 2019 was 593 EUR. The average number of employees in 2018 was 82 and the average salary in 2018 was 563 EUR. Thus, the average salary as compared to a year before has increased by 5.3%.

AS "KURZEMES ATSLĒGA 1" share capital amounts to 1 285 401 EUR, net sales in 2019 amounted to 1 680 707 EUR. As compared to 2018, the net sales in 2019 decreased by 114 198 EUR, which amounts to 6.4% of the sales of 2018.

The financial result of the operations of the Company in 2019 was a loss of 212 221 EUR. As at 31 December 2019 the Company's current assets exceeded its current liabilities by 578 231 EUR and the Company had a positive shareholder's equity of 1 114 420 EUR. Therefore the management of the Company considers that the Company will not have liquidity problems and that it will be able to settle its liabilities as they fall due. Consequently, the management of the Company considers that the going-concern principle is applicable in the preparation of these financial statements.

Financial ratios:

Liquidity

Total liquidity	3.3
Interim liquidity	0.6
Absolute liquidity	0.02

Equity ratios:

Short-term liabilities / short-term assets	0.30
Net working capital	578 231

Solvency ratios:

Liabilities / total balance sheet	0.18
Liabilities / equity	0.23

The Company does not have unsettled liabilities towards the state and municipality budgets.

Future prospects

The Company's aim in 2020 is to keep the existing clients and work on new markets. Simultaneously the aim is to improve the production efficiency as well as to optimize the use of the Company's premises. The management of the Company will review the risks of returning to the market of Ukraine.

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.

Report of the Management (continued)
Financial risk management (continued)

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. The borrowings are not material in proportion to the shareholders' equity. 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.

Events and circumstances after the end of the reporting year

During the period of the last day of the reporting year till signing of 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.


Material risks and uncertainties

After the end of the reporting year, in March 2020 limitations arising from the spread of the coronavirus have been put 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 management of the Company is constantly contemplating the situation. The Company complies with all legal restrictions. 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 management of the Company considers that the spread of the coronavirus will have a limited effect on the operations of the Company.

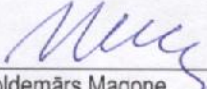
Management's proposals on profit sharing or loss cover

Management proposes to offset the loss of 2019 from the profit of the following years.

The report on compliance with the principles of corporate governance in 2019 is published on the JSC "KURZEMES ATSLĒGA 1" website: www.ka1.lv/akcionariem


Pēteris Frīdenbergs
Chairman of the Board


Aiga Ozola
Member of the Board


Voldemārs Magone
Member of the Board

24 March 2020


Statement of Management Responsibility

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


On the basis of information available to the Board of 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 AS "KURZEMES ATSLĒGA 1". The Report of the Management 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.

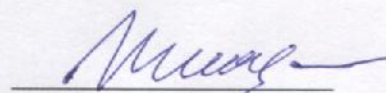
The management of AS "KURZEMES ATSLĒGA 1" is responsible for obeying the laws of the Republic of Latvia.



Pēteris Frīdenbergs
Chairman of the Board



Aiga Ozola
Member of the Board



Voldemārs Magone
Member of the Board

24 March 2020

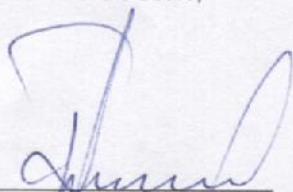
Corporate Governance Report

AS „KURZEMES ATSLĒGA 1” Corporate Governance Report of the year 2019 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 is made by the Board of AS „KURZEMES ATSLĒGA 1” and revised by the Supervisory Council of AS „KURZEMES ATSLĒGA 1”.

This report is prepared and submitted to NASDAQ Riga, AS together with AS “KURZEMES ATSLĒGA 1” audited annual financial report of 2019 and published at the official web site of NASDAQ Riga, AS www.nasdaqbaltic.com.

On behalf of the Board,



Pēteris Frīdenbergs
Chairman of the Board

24 March 2020



Aiga Ozola
Member of the Board



Voldemārs Magone
Member of the Board

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Profit and loss account for the year ended 31 December 2019

	Note	2019 EUR	2018 EUR
Net sales		1 680 707	1 794 905
Cost of sales	1	(1 718 046)	(1 747 860)
Gross (loss) / profit		<u>(37 339)</u>	<u>47 045</u>
Selling expenses	2	(46 560)	(44 834)
Administrative expenses	3	(87 847)	(94 764)
Other operating income	4	37 790	39 727
Other operating expenses	5	(76 167)	(19 267)
Interest expenses and similar expenses	6	(1 608)	(1 714)
Loss before corporate income tax		<u>(211 731)</u>	<u>(73 807)</u>
Corporate income tax for the reporting year		(490)	(468)
Current year's loss		<u>(212 221)</u>	<u>(74 275)</u>
Loss per share		(0.231)	(0.081)

Notes on pages 13 to 23 form an integral part of these financial statements.

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Balance sheet as at 31 December 2019

		31.12.2019. EUR	31.12.2018. EUR	(1)
Assets				
Long-term investments				
Intangible assets:				
Concessions, patents, licenses, trademarks and similar rights		608	712	
Total intangible assets:	7	608	712	
Fixed assets:				
Real estate:				
a) Land, buildings and engineering structures		480 339	495 366	
Equipment and machinery		43 384	58 798	
Other fixed assets		6 036	8 119	
Fixed assets under construction		5 822	5 822	
Total fixed assets:	8	535 581	568 105	
Total long-term investments:		536 189	568 817	
Current assets				
Inventories:				
Raw materials and consumables		308 569	380 504	
Work-in-progress		253 903	304 792	
Finished goods and goods for sale		82 333	83 329	
Advances for goods receivable		35 131	37 145	
Total inventories:	9	679 936	805 770	
Debtors:				
Trade debtors	10	134 249	188 117	
Other debtors	11	11 045	17 650	
Total debtors:		145 294	205 767	
Cash and bank:	12	5 169	1 944	
Total current assets:		830 399	1 013 481	
Total assets		1 366 588	1 582 298	

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Balance sheet as at 31 December 2019

(2)

	Note	31.12.2019 EUR	31.12.2018 EUR
<u>Liabilities and shareholders' funds</u>			
Shareholders' funds:			
Share capital	13	1 285 401	1 285 401
Reserves:			
other reserves		21 000	21 000
Previous years' retained earnings		20 240	94 515
Current year's loss		(212 221)	(74 275)
Total shareholders' funds:		1 114 420	1 326 641
Short-term creditors:			
Loans from credit institutions	14	23 002	15 876
Advances from customers	15	3 033	34 253
Trade creditors	16	108 805	77 124
Accounts payable to affiliated companies	17	23 544	43 359
Taxes and the state compulsory social insurance contributions	18	25 161	20 886
Other creditors	19	28 675	27 439
Accrued liabilities	20	39 948	36 720
Total short-term creditors:		252 168	255 657
Total creditors:		252 168	255 657
<u>Total liabilities and shareholders' funds</u>		<u>1 366 588</u>	<u>1 582 298</u>

Notes on pages 13 to 23 form an integral part of these financial statements.

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Statement of changes in equity for the year ended 31 December 2019

	Share capital EUR	Reserves EUR	Retained earnings EUR	Total EUR
	1 285 401	21 000	94 515	1 400 916
Balance as at 31 December 2017				
Profit for the year	-	-	(74 275)	(74 275)
Balance as at 31 December 2018	1 285 401	21 000	20 240	1 326 641
Profit for the year	-	-	(212 221)	(212 221)
Balance as at 31 December 2019	1 285 401	21 000	(191 981)	1 114 420

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Cash flow statement for the year ended 31 December 2019

	Note	2019 EUR	2018 EUR
Cash flows from operating activities			
Profit or loss before taxation		(211 731)	(73 807)
<u>Adjustments for:</u>			
a) Fixed asset depreciation		32 524	33 774
b) Amortization of intangible assets		354	83
c) Foreign exchange loss		-	(976)
d) Interest expense		1 608	1 448
		<u>(177 245)</u>	<u>(39 478)</u>
<u>Adjustments for:</u>			
a) Debtors decrease		60 473	45 880
b) Inventories decrease / (increase)		125 834	(25 799)
c) Trade and other creditors' (decrease) / increase		(10 615)	30 457
Cash (used in) / generated from operations		<u>(1 553)</u>	<u>11 060</u>
Interest paid		(1 608)	(1 448)
Corporate income tax paid		(490)	(468)
Net cash (used in) / generated from operations		<u>(3 651)</u>	<u>9 144</u>
Cash flows from investing activities			
Acquisition of intangible assets		(250)	(12 827)
Net cash used in investing activities		<u>(250)</u>	<u>(12 827)</u>
Cash flows from financing activities			
Borrowings received		7 126	(38 946)
Net cash generated from / (used in) financing activities		<u>7 126</u>	<u>(38 946)</u>
Result of foreign exchange rate fluctuations		-	976
Net increase (decrease) in cash and cash equivalents		<u>3 225</u>	<u>(41 653)</u>
Cash and cash equivalents at the beginning of the reporting year		1 944	43 597
Cash and cash equivalents at the end of the reporting year		<u>5 169</u>	<u>1 944</u>

Notes on pages 13 to 23 form an integral part of these financial statements.

Notes

Accounting policies

(a) Information on the Company

The legal address of 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 (17.12%), SIA "Aizputes atslēgas" (15.26), and others (19.26%). The Board of the Company consists of Pēteris Frīdenbergs (Chairman of the Board), Aiga Ozola (Member of the Board) and Voldemārs Magone (Member of the Board). 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

Financial statements are prepared 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 profit and loss account is classified by function of expense.

Cash flow statement is prepared using indirect method.

Accounting policies used by the Company are consistent with those used in the previous reporting period.

(c) Going concern

The financial result of the operations of the Company in 2019 was a loss of 212 221 EUR. As at 31 December 2019 the Company's current assets exceeded its current liabilities by 578 231 EUR and the Company had a positive shareholders' equity of 1 114 420. Therefore the management considers that the Company will not have liquidity problems and it will be able to settle the liabilities as they fall due. Therefore the management of the Company considers that the going concern basis is applicable in the preparation of these financial statements.

(d) 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.

(e) 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.

	31.12.2019	31.12.2018
	EUR	EUR
1 USD	1.123	1.145

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.

Notes (continued)

Accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

Notes (continued)

Accounting policies (continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

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Notes (continued)

(1) Cost of sales

	2019 EUR	2018 EUR
Materials and spare parts	841 031	913 071
Salaries	470 394	481 341
State compulsory social insurance contributions	111 656	114 165
Electroenergy costs	91 077	91 206
Depreciation	32 377	33 774
Amortization	354	83
Low value inventory	301	4 134
Depreciation of own punches	11 141	5 985
Customs tax	2 452	3 947
External services received	13 689	29 656
Work safety expenses	12 642	12 181
Accrued vacations	953	-
Real estate tax	5 304	5 304
Other expenses	72 789	68 081
Expenses total	1 666 160	1 762 928
Changes in work-in-process	50 890	(20 806)
Change in goods for sale	996	5 738
	1 718 046	1 747 860

(2) Selling expenses

Salaries	6 577	5 984
State compulsory social insurance contributions	1 832	1 449
Selling services	20 423	18 268
Transportation expenses	17 584	18 909
Other expenses	144	224
	46 560	44 834

(3) Administrative expenses

Salaries	62 294	65 783
State compulsory social insurance contributions	14 840	15 599
Communication expenses	1 787	1 886
Office expenses	3 746	7 998
Audit expenses	4 000	2 000
Bank services	1 180	1 498
	87 847	94 764

(4) Other operating income

Sales of other assets	35 149	31 683
Foreign exchange gains	-	976
Financing frm ESF	2 641	3 341
Other income	-	3 727
	37 790	39 727

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Notes (continued)

(5) Other operating expenses

	2019 EUR	2018 EUR
Foreign exchange loss	394	-
Cost of sold materials	17 682	15 409
Compensation of damage to health	16 011	1 388
Social expenditure	1 420	480
Non-business expenses	313	559
Debtor writ-offs	1 229	-
Accruals for doubtful debtors	38 136	-
Other expenses	982	1 431
	<u>76 167</u>	<u>19 267</u>

(6) Interest expenses and similar expenses

Interest expenses	1 527	1 448
Penalties	81	266
	<u>1 608</u>	<u>1 714</u>

(7) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR	Total EUR
Cost		
31.12.2018.	6 424	6 424
Additions	250	250
31.12.2019.	<u>6 674</u>	<u>6 674</u>
Amortization		
31.12.2018.	(5 712)	(5 712)
Amortization for 2019	(354)	(354)
31.12.2019.	<u>(6 066)</u>	<u>(6 066)</u>
Net book value 31.12.2018.	<u>712</u>	<u>712</u>
Net book value 31.12.2019.	<u>608</u>	<u>608</u>

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Notes (continued)

(2) Fixed assets

	Land, buildings and engineering structures EUR	Equipment and machinery EUR	Other fixed assets EUR	Fixed assets under construction EUR	Total EUR
Cost					
31.12.2018.	1 012 277	1 071 771	121 702	5 822	2 211 572
Disposals	(8 434)	-	(5 870)	-	(14 304)
31.12.2019.	1 003 843	1 071 771	115 832	5 822	2 197 268
Depreciation					
31.12.2018.	(516 911)	(1 012 973)	(113 583)	-	(1 643 467)
Depreciation for 2019	(15 027)	(15 414)	(2 083)	-	(32 524)
Disposed	8 434	-	5 870	-	14 304
31.12.2019.	(523 504)	(1 028 387)	(109 796)	-	(1 661 687)
Net book value 31.12.2018.	495 366	58 798	8 119	5 822	568 105
Net book value 31.12.2019.	480 339	43 384	6 036	5 822	535 581

(9) Inventories

	31.12.2019. EUR	31.12.2018. EUR
Materials	119 991	184 136
Low value inventory	21 695	18 345
Punches and presforms	166 883	178 023
Work-in-process	253 903	304 792
Goods for sale	82 333	83 329
Advances for inventories	35 131	37 145
	679 936	805 770

(10) Trade debtors

Customers' debts	189 555	206 521
Accruals for bad and doubtful debtors	(55 306)	(18 404)
	134 249	188 117

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Notes (continued)

(10) Trade debtors (continued)

Accruals for bad and doubtful debtors

	Customers' debts EUR	Total EUR
31 December 2018	18 404	18 404
Decrease	(1 234)	(1 234)
Increase	38 136	38 136
31 December 2019	55 306	55 306

(11) Other debtors

	31.12.2019. EUR	31.12.2018. EUR
Tax overpaid	-	2 990
Expense reports of personnel	52	70
Utility services	42	2 109
Other debtors	10 951	12 481
	11 045	17 650

(12) Cash and bank

	31.12.2019. EUR	31.12.2018. EUR
Cash at bank	4 377	1 114
Cash a hand	792	830
	5 169	1 944

(13) Share capital

The Company's share capital amounts to 1 285 401 EUR as of 31 December 2019 and it consists of 918 144 shares. The nominal value of each share is 1.40 EUR. The Company's share capital amounts to 1 285 401 EUR as of 31 December 2018 and it consists of 918 144 shares. The nominal value of each share is 1.40 EUR.

	31.12.2019	EUR	%	31.12.2018	EUR	%
	% from share capital	Amount of shares		% from share capital	Amount of shares	
Bearer shares – public	71.5%	656 356	918 898	71.5%	656 356	918 898
Closed-issue shares (ordinary shares with voting rights)	28.5%	261 788	366 503	28.5%	261 788	366 503
	100%	918 144	1 285 401	100%	918 144	1 285 401

Shareholders as of 31 December 2019 and their positions

	Position in Company	% from share capital
AS "Kurzemes atslēga"	Shareholder	48.36%
Olivers Wiederholds	Shareholder	17.12%
SIA "Aizputes atslēgas"	Shareholder	15.26%
Others	Shareholder	19.22%
Pēteris Frīdenbergs	Chairman of the Board	0.04%
		100%

Other members of the Board and the Supervisory Board do not possess the shares of the Company.

Notes (continued)

(13) Share 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	Compliance
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	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

(14) Loans from credit institutions

	31.12.2019. EUR	31.12.2018. EUR
Borrowing from AS Luminor (credit line):		
- short-term part – repayable within 1 year	23 002	15 876
	<u>23 002</u>	<u>15 876</u>

On 22 August 2019 the Company prolonged the credit line agreement amounting to 47,000 EUR for one more year. Interest is payable based on EURIBOR + 5% p.a. The Company's inventories amounting to 679 936 EUR as at 31 December 2019 (31.12.2018: 805 770 EUR) have been pledged as collateral towards AS Luminor. The collateral agreement was signed on 26 August 2009.

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Notes (continued)

(15) Advances from customers

	31.12.2019.	31.12.2018.
	EUR	EUR
Latvian customers	2 933	421
Foreign customers	100	33 832
	<u>3 033</u>	<u>34 253</u>

(16) Trade creditors

Latvian creditors	93 996	76 700
Foreign creditors	14 809	424
	<u>108 805</u>	<u>77 124</u>

(17) Accounts payable to affiliated companies

AS "Kurzemes atslēga"	<u>23 544</u>	<u>43 359</u>
	<u>23 544</u>	<u>43 359</u>

(18) Taxes and the state compulsory social insurance contributions

Corporate income tax	18	-
Value added tax	2 934	-
State compulsory social insurance contributions	16 283	15 456
Personal income tax	5 615	5 092
Natural resource tax	280	274
State risk duty	31	64
	<u>25 161</u>	<u>20 886</u>

(19) Other creditors

Salaries	26 920	25 734
Damage to health liability	1 323	1 278
Other creditors	432	427
	<u>28 675</u>	<u>27 439</u>

(20) Accrued liabilities

Accrued unused annual leave expenses	28 942	27 988
Accrued liabilities towards suppliers	11 006	8 732
	<u>39 948</u>	<u>36 720</u>

(21) Average amount of employees

	2019	2018
Members of the Board	3	3
Members of the Supervisory Council	5	5
Other employees	68	74
	<u>76</u>	<u>82</u>

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Notes (continued)

(22) Management remuneration

	2019	2018
	EUR	EUR
Members of the Board		
· salary	11 070	11 531
· state compulsory social insurance contributions	2 520	2 631
	13 590	14 162
Members of the Supervisory Council		
· salary	8 892	8 892
· state compulsory social insurance contributions	2 142	2 142
	11 034	11 034

(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

	2019	2018
	EUR	EUR
Sale of goods:		
- Liepājas rajona SIA firma "Gutta"	31 318	23 561
Rendering of services:		
- AS "Kurzemes atslēga"	120	-
- Liepājas rajona SIA firma "Gutta"	3 418	-
	34 856	23 561

(b) Purchase of goods and services

Purchase of goods:		
- AS "Kurzemes atslēga"	152 409	220 412
- Liepājas rajona SIA firma "Gutta"	3 391	59 369
Purchase of services:		
- AS "Kurzemes atslēga"	2 212	2 212
- Liepājas rajona SIA firma "Gutta"	1 610	4 817
	159 622	286 810

(a) Debtors arising from transactions with related parties

	31.12.2019.	31.12.2018.
	EUR	EUR
Associated companies	120	-
	120	-

(b) Creditors arising from transactions with related parties

Associated companies	23 544	43 359
	23 544	43 359

Notes (continued)

(24) Management's proposal of loss coverage

The management proposes to cover the loss of 2019 from the profit of following years.

(25) Remuneration of auditor

	2019 EUR	2018 EUR
Audit of financial statements	4 000	2 000
	<u>4 000</u>	<u>2 000</u>

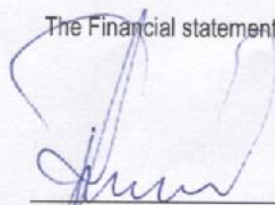
(26) Subsequent events


After the end of the reporting year, in March 2020 limitations arising from the spread of the coronavirus have been put 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 management of the Company is constantly contemplating the situation. The Company complies with all legal restrictions. 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 management of the Company considers that the spread of the coronavirus will have a limited effect on the operations of the Company.

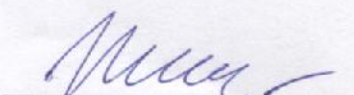
Except for the above, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2019.


The Annual Report was prepared by the chief accountant Irēna Burve.

The Financial statements set out on pages 8 to 23 were signed on 24 March 2020 by:


Pēteris Frīdenbergs
Chairman of the Board


Aiga Ozola
Member of the Board


Voldemārs Magone
Member of the Board


Irēna Burve
Chief accountant