

Organization Name:

Art Novo
Registration Nr. 40003596959 (Latvia)
July 17th, 2002

Contact:

Alvis Mengots (CEO)
Ed Kalvins (Project Manager)

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Additional Information:

www.artnovofilmproduction.com

Form of Business:

Film Production

Areas of expertise:

Filmmaking
TV shows
Education

Objectives:

To become a significant part of the global movie industry.
To establish a major film-making operation in Riga, Latvia.
To provide international film-makers with economical and unique venues.

Pay-Back Period

2-3 years

Funding Requirement:

€200,000

Use of funds

Working Capital

Interest on loan:

15 % budgeted for €200,000
10% offered for less than €200,000

A comprehensive business and financial plan is currently not available. An approximate budget is available.

This proposal refers to the establishment of a company that will promote the Latvian film production industry internationally to encourage film producers to use Latvia as a venue, and is addressed to institutions involved in and/or investing in film production. It seeks a strategic partner to build on an established industry.

The OPPORTUNITY - The Latvian Film Production Industry has a rich and established film production history providing both local technical expertise, equipment, facilities and talent. It is located in the cultural capital of Northern Europe which provides unique architecture and/or a multitude of beautiful natural surroundings for film venues in a stable, robust growing economy that uses the Euro and is a member of NATO.

The CHALLENGE: - The industry is both diversified and fragmented making access to it by foreigners difficult and cumbersome.

The Company: - **Art Novo** is a privately owned film production company promoting the development of the international movie industry in Latvia by acting as a general contractor / marketing company bringing together leading Latvian companies, associations and institutions that provide services and education to the film production industry to provide one-stop shopping for its clients. Its services include providing all generations of actors and actresses, filmmaking equipment and gear (video cameras, lights, dolly tracks and camera cranes), office premises and filmmaking pavilions (green background) as well as arranging filming locations and set design and construction. Art Novo is networked with Russian and Indian film production companies to provide a wider range of services.

The Benefits: - Favourable Latvian tax laws, lower labour costs and experienced personnel are key factors. There is also a possibility for EU financing for projects, and refunds for expenses. Geography plays a key role by providing excellent venues in Latvia itself, but allows Latvia to be a bridge between Western Europe/North America, and Russia/India. Art Novo has established a team of professionals with local and international experience, as well as service providers to the film industry in Latvia. This sets the stage for a profitable business in a unique market.

Sources of Income: - Income will be generated from the production of feature-length films, shorts, animation, documentaries and commercials.

The Requirement: - Art Novo requires a strategic partner or investor who will finance international operations until cash flow is established from these operations. A loan of **€200,000** is required for a one year period to cover office expenses and promotion.

The Rewards: The payback period for the **€200,000** loan is less than 3 years, with a cash surplus of €1,900,000 after 5 years. 15% is budgeted for the full loan, and 10% share ownership in Art Novo is offered to the investor. Conditions are negotiable. Art Novo also offers an interest rate of 10% for loans less than the full amount required.

1 FORWARD

This proposal refers to investing in the establishment of a company that will promote the Latvian film production industry internationally to encourage film producers to use Latvia as a venue, and is addressed to institutions involved in and/or investing in film production. It seeks a strategic partner or investor to build on an established industry.

Latvia is positioned between Russia and central Europe, and as such, is at the geographic centre of northern Europe. Latvia also has an established film production industry (see section 3).



Latvia has all the ingredients for becoming a centre for film production, though it has two main difficulties that has prevented its development to date. These are:

- Most companies are relatively small with minimal permanent staff to reduce expenses and avoid financial commitments. For larger productions, these companies network with others locally to provide the required services, and hire free agents on a contract basis. This works well and effectively in the small local market where everyone knows everyone else, but is not conducive to attracting foreign business.
- The film production industry has had challenges adjusting in the post Soviet era, when it was working with the much larger market of the Soviet Union. This, together with the recent world economic crisis, has left the industry in need of re-orientation towards the west, but without the funding resources to do so, as existing companies struggle to exist.

Art Novo was set up with the understanding that it would provide services to the film production industry, particularly to foreign film producers by serving a marketing and coordinating role. Agreements have been established with local companies with Art Novo being the point of contact for foreign clients. Hence Art Novo is now looking for the financial means with which to establish a permanent organization to service international clients and attract the necessary staff to serve the industry and promote it accordingly.

€200,000 funding is required to set up a permanent office and hire personnel to develop and implement a marketing program. Income is not expected in the first year of operation, though down-payments could generate cash flow sooner.

2 THE ORGANIZATION

Art Novo is a privately owned production company registered in Latvia in 2002 by its owner, Alvis Mengots (see Section 8 - Key Personnel) for the development of international movie industry projects in Latvia by acting as a marketing organization and general contractor coordinating leading Latvian companies, associations and institutions that provide services and education to the film production industry to provide one-stop shopping for its clients in the film production industry.

The Art Novo mission is to become a significant part of the global movie industry.

Art Novo currently provides all generations of actors and actresses, film-making equipment and gear (video cameras, lights, dolly tracks and camera cranes), office premises and filmmaking pavilions (green background) as well as arranging filming locations. Art Novo also offers a variety of services to the film production industry including providing and managing creative and technical crews and resources, working with creative specialists (especially screenwriters, directors and actors from Europe and Russia) and running production and post-production processes and coordination, and set design and construction. Other services include project management and administration, and coordinating legal, financial, IT, transport and other related services.

Art Novo has the management resources to manage the administration and promotional activities that it has undertaken on behalf of its partners.

Some Western film producers have expressed interest in cooperating with Russian film producers. Because of past experiences, Art Novo has established long term relationships with Russian movie industry leaders and developed a wide network of Russian movie industry players (actors, scenarists, cinematographers, marketing specialists, etc.). Art Novo boasts continuing good relations with many "Soviet Movie School" specialists, who continue to be successful and whose productions are highly appreciated in Russia and elsewhere.

Art Novo works with the Riga International School of Economics and Business Administration as well as Riga School of Arts and Crafts to provide special programs for the training of specialists for film production.

Though Art Novo currently offers international production companies venues, equipment and services for film production in Latvia, its ultimate objective is to build a modern film studio in Riga.

Art Novo appreciates and acknowledges the morale support of the Latvian Ministry of Culture and its National Film Centre of Latvia, and the Economics Ministry given to Art Novo in their letter of support received in a letter dated May 25, 2014.

Partner Companies / Organizations

Agreements are in place with the following companies and organizations to provide their services through Art Novo, or to develop expertise in development and educational programs to ensure the continued modernization of the industry.

- Filmu studija Rija,
- Cinevilla Studio,
- Rīgas Kinostudija,
- Platforma Filma,
- Filmu studija Deviņi,
- Rīgas Darbnīca decorations, restoration, furniture
- Studio "Centrums"
- Arkogints film cameras
- SDG Lighting
- TV- kino serviss dolly tracks and camera cranes

- Latvian Filmmakers Union
- Latvian Theatre Professionals Union
- "Dzintarkrasta filma" fund - Film Education and Production.
- Riga International School of Economics and Business Administration - film production industry studies and training
- Riga School of Crafts
- "Stylefoto" photo studio
- "Positive art" media production

Other organizations with which cooperation arrangements are being made:

- Latvian Academy of Culture

Art Novo appreciates and acknowledges the morale support of the Latvian Ministry of Culture and its National Film Centre of Latvia, and the Economics Ministry given to Art Novo in their letter of support received in a letter dated May 25, 2014.

3 ABOUT LATVIA and ECONOMIC FACTORS

Latvia

Latvia regained its independence from the Soviet Union in 1991 and began the difficult process of converting from a planned to a free market economy. In the mid 90's, Latvia was experiencing the challenges of economic transition, including multiple banking crises, economic boycotts by Russia, unfamiliarity with western (particularly European) practices and politically-related development issues.

Latvia is a western state that abides by EU regulations, having joined the European Union and NATO in 2004. This provides a more stable and predictable foundation.



The Economy

Post economic crisis Latvia has enjoyed a stable and growing economy, a trend which continues following the adoption of the Euro on 1st January 2014. There remains a positive outlook and Standard & Poor's, recently changed long and short-term local and foreign currency sovereign credit ratings on Latvia from BBB-/A-3 to BBB/A-2, and Latvia's transfer and convertibility (T&C), as of March, 2014, the rating now stands at BBB+ and the (T&C) at AAA.

Latvia has benefited from its history with established traditions in banking, manufacturing, education and development that provide the foundations for future growth and development, but shares strong ties with both Russia and the west.

Latvia has favourable company tax rates of 15%. There are no restrictions on the repatriation of profits or the transfer of funds from the country. A cash rebate of up to 20% of the total eligible expenses spent is also available. Latvian tax laws favours investment and allow Latvia to compete favourably with "off-shore" companies.

For further information see <http://www.liaa.gov.lv/about/latvia-facts>.

Advantages of working in Latvia

Latvia is in the European Union and borders the CIS, and so is well positioned to serve both.

The Riga International Airport is a regional hub with convenient connections to the rest of the world and the immediate region. Distances to major cities are quite small: Tallinn - 310 km, Helsinki - 397 km, St. Petersburg - 570 km, Moscow - 917 km, Minsk - 475 km, Vilnius - 293 km, Kaliningrad - 385km, and all are accessible by road transport. Riga is a central location. The studio is close to the Airport which helps optimize and reduce travel time.

Low labour costs and a skilled labour force, as well as relatively inexpensive land provide a decided financial advantage of operating in Latvia.

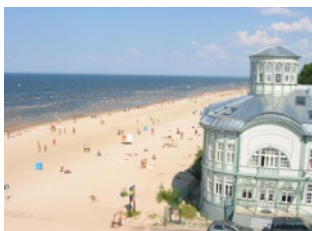
There is a possibility for EU financing, but the project will be based on private funding in the initial stages.

Local municipalities are enthusiastic about such projects because of their potential benefits to the local economy.

Latvia's nature and natural surroundings are a big asset which serve as a drawing card for industries such as film production.

Latvia has the 5th fastest Internet in the world (July 2013 data) with average peak broadband speed 140 % faster than the global average.

Latvian's unique architecture and landscapes can be used in wide variety of films.



Related industries in Latvia

Latvia has deeply entrenched tradition in the performing arts which include song, dance and live theatre. This provides the support for a highly professional and capable film production industry.

Riga boasts one of the top-class operas in Europe, the National Opera (<http://www.opera.lv/en/home>), while the National Theatre (<http://www.teatris.lv/lv/>) and Dailes Theatre (<http://www.dailesteatris.lv/>), amongst others, are part of the region's "Broadway of Northern Europe" having served Latvia for well for over 100 years, with Song and Dance Festivals (<http://www.dziesmusvetki.tv/en/>) having proven to be not only spectacular, but enduring. City festivals (<http://www.rigassvetki.lv/2013/home/startpage/en/>) such as the annual Riga City Festival show how the high technical quality is even passed on to the community at large.



The National Opera

The Dailes Theatre

The National Theatre



Song and Dance Festivals

City Festivals

The film industry in Latvia

The first cinema opened in Riga in 1895, and is still in operation today. The first documentary was made in 1910 featuring the arrival of Czar Nicholas II in Riga. The first feature film was produced in 1913 followed by two the next year. The first sound film was produced in 1934. The Riga Film Studio was established in 1940. In 1957, actress, then director Dzidra Ritenberga received the Volpi cup at Venice Film Festival as the best actress in film Malva. Between 1961 and 1963, the Riga Film Studio Šmerlis pavilions were one of the largest in Northern Europe. In the coming years it produced about 10 feature films, as well as puppet and animated films, documentaries, science and educational films, and newsreels. Latvian animation began in the 1960s with films using appliqué technique. The 1970's brought the golden age of Latvian cinematography when numerous Latvian classics were produced, while the 1980's was the documentaries era. In 1989 the FELIX award for the Best European Documentary went to film Crossroad Street by Ivars Seleckis. During the last decade, Latvian features, short films and animated films have taken part in major film festivals including the Berlin Film Festival, Cannes Film Festival, Venice Festival, Annecy Animated Film Festival, Pusan Film Festival in Korea, Leipzig Festival, Amsterdam Documentary Film Festival, etc. Of note is that 50 animation professionals produced about 45,000 drawings for the 2004 Animated film The Triplets of Belleville (Canada/France) which was nominated for two American Film Academy Oscar Awards, including the nomination for the best film in this category.

Recently, the film industry has been adapting to the new reality of the market economy. There are around 25 – 30 active production companies working in Latvia, though some of them deal mainly with the production of commercials. Others are involved in contract work internationally. Our film professionals add to their skills participating in courses all over Europe, as well as in practical work when working as service companies for film productions from abroad.

<http://www.latfilma.lv/>

<http://filmriga.lv/en/brief-survey-of-latvian-film-industry>

<http://www.mediadesklatvia.eu/arhivs-media-programma/english/characteristics-of-the-film-industry-in-latvia/>

4 TARGET MARKET

Art Novo's target market includes foreign/western film production companies who seek lower costs in an excellent venue with readymade talent and technical skills and experience. Positive preliminary discussions have been underway to confirm such interest.

Russian film producers are also very much at home in Latvia, and would be an important client base. Many movie professionals from Latvia are successful and well known in the CIS movie industry. These contacts will be exploited.

Western film producers will have the opportunity to network with their Russian counterparts if they wish to do so.

The target market does not, in general, include local film production since partner companies already network with one another on an as required basis.

5 THE COMPETITION

Art Novo unites most of the main Latvian filmmakers in Latvia under the Art Novo brand making Art Novo one of the leading filmmakers in Latvia. Because of Latvia's well-developed film-making industry, Latvia is the leading film production country in the Baltics.

6 MARKETING AND SALES STRATEGY

Art Novo plans to be able to provide most of the facilities and equipment required for the film production industry by international clients. This will significantly reduce transport costs for those using Latvia as a venue.

Art Novo will market the following features:

- lower movie production costs in comparison to other studios located in Western Europe,
- convenient transport to or through the Riga airport,
- available facilities and equipment
- local talent and experience

Art Novo will use the services of industry specialists currently working in the film production industry abroad, as well as government contacts with connections to the industry.

7 OPERATIONS

Specialization

The main sectors serviced by Art Novo or subject areas addressed include:

- feature-length films
- shorts,
- animation,
- documentaries,
- commercials

Available Facilities

Pavilion facilities offered include:

- 1,000 m²
- 800 m²
- 600 m²
- 500 m²
- 300 m²

Available Equipment

The main film production equipment includes, but is not limited to:

- cameras
 - ARRI Alexa EV-1, sup.9, HS 120fps
 - ARRI Alexa XT
 - ARRI Alexa EV-1, sup.9
 - RED EPIC-X
 - RED ONE MysteriumX
 - Vision Research Phantom Miro LC320S
 - Canon C300
 - Canon 5D Mark III, body, EF Mount
 - ARRIFLEX 16SR 3 HS Advanced Gate: S16 - Ground Glass
 - ARRIFLEX 435 Xtreme Gate: N35 or S35 - Ground Glass, Arriglow
- cranes
 - jib 3 - 13 m cranes
 - telescopic 3 - 20 m cranes
- lighting systems
 - HMI up to 12,000 W
 - TUNGSTEN up to 12,000 W
 - FLUORESCENT
- sound systems

Personnel resources

- producers / directors - 600
- operators (film) - 20
- operators (TV) - 70
- actors - 1,200
- make-up artists - 200

- Latvian Song and Dance festivals occur every four years and mobilize some 30,000 performers who are drawn from choirs and dance groups from around the country. These groups rehearse regularly and participate in smaller festivals in the region. This is a potential source of personnel.

8 KEY PERSONNEL

Alvis Mengots has been the Owner and CEO of Art Novo since 2002. He is a film industry professional with a Master of Arts degree from the University of Moscow, and who acquired his academic training from the All-Union State Institute of Cinematography in Moscow, first at the operator level, then proceeding to his Masters and becoming a qualified film director. Some of his class-mates from his university days are now leading film producers in Russia, and an invaluable networking source. Alvis received much of his practical technical experience as a cinematographer or director of photography in more than 40 feature movies at the Riga Film Studio, and then assumed positions as the President of the Alpha Alliance advertising agency and then Director of TV35. He has served as a Vice-chairman of the Board of the Riga Film Studio and as a Board member of numerous film productions related funds. Alvis thus combines both management experience and a wealth of hands on technical experience.

Ed Kalvins is the owner and CEO of Technical Partners International Inc. of Canada and "TP Riga" SIA of Latvia, and is a Latvian-Canadian living in Latvia. He will assume the role of Project Manager. He is a Canadian engineer with extensive Project Management, Production Management and Engineering Management experience. Ed developed the PM-PROformance™ System, a hands-on project management system suitable for such projects. His 20 years' experience in Latvia provides for a deep understanding of local conditions, while his western background helps him relate to North American requirements. Ed's team provides the necessary construction related and project management services for the project.

Robin De Morgan is an independent investment banking professional and Chartered Accountant from the United Kingdom, with experience of property and infrastructure developments, both in the UK and internationally. He is the former CFO of the Hongkong Land Group and has worked closely with two separate merchant banking organisations on business development strategies and raising related funding. He has been closely involved in numerous development projects in Latvia and the Baltics, and is a trade development advisor for the Middle East Association having most recently lead a trade mission to Kurdistan and Iraq. Robin is helping market Art Novo services and represents Art Novo in England.

John Birchmore, the owner of SHREW's Ltd. of the UK, has extensive experience commissioning start-up projects in the Baltics and Russia as well as the UK and acts as an advisor to UNDP and EBRD on development. His team provides the necessary technical expertise. Because of John's extensive business development work in Latvia, he is well connected to the Latvian business community in the UK. John is helping market Art Novo services and represents Art Novo in Scotland.

Valters Kronbergs – Lawyer (Kronbergs & Čukste). LLB (Queen's University, Canada), BA Hons. (University of Toronto, Canada). Member of the Ontario and Latvian bar, who has been practicing law in Latvia since 1993. Specialist in Latvian real estate, construction, energy and utilities, transportation and corporate commercial law.

The following personnel are candidates for positions on an employment or contract basis and will be engaged as funding is available for Art Novo. Current services presently provided by partner companies. The services of the following will be charged to and paid for from specific projects and film production contracts.

Operations/Administrative Management

Inguna Gustava MBA (Riga Business School, Riga Technical University), BA, MA – mathematics (University of Latvia) is an experienced general manager covering management, company budgets and financial control, staff recruiting and training, marketing and sales.

Inese Mičule - BA - Mathematics and Physics (University of Latvia), MBA (Riga Business School, Riga Technical University, Latvia). Financial executive. Experienced at the director level responsible for finance, sales or marketing in major consumer goods manufacturing companies

Inga Mengote - BA - (University of Latvia), MBA (RPIVA) – Management professional. Buildings and maintenance operations specialist.

Ivars Grislis – BSc - Mechanical Engineering (Riga Polytechnic Institute, Latvia). BA - Economics (Riga Polytechnic Institute, Latvia). Senior Engineer. Systems maintenance specialist

Uldis Kurms – BA (Riga Technical University). Logistics specialist.

Indra Sproge-Kalvina - BA - Management Studies (University of Latvia). Sales and customer service specialist.

Henrik Mjoman – Recruitment Specialist (*Prime Recruitment*). Experience in personnel recruitment and management training.

Inese Tomasa – MA Languages (University of Latvia). Tourism and hospitality industry specialist.

Film Production Industry Specialists

Film production technical specialists include personnel from partner companies, including:

Vilnis Kalnaellis – Producer and President of Latvian Film Producer Association. Graduated from the Petersburg Institute for Cinema Engineers in 1985. Participated in more than 300 festivals and received 35 national and international awards. In 2007 his production company Rija Films received the CARTOON nomination for the Best European Producer.

Andrejs Ekis - Movie producer and script writer. Graduated with a Master's degree in Cinematography and Film/Video Production from the Petersburg Institute for Cinema Engineers in 1987. Owner of the Cinevilla Studio.

9 DEVELOPMENT AND EXIT PLANS

Art Novo's long term goal is to become a significant part of the global movie industry. There is no exit plan.

The development plan is to expand on the services currently being provided to local clients and to meet the needs of international film makers.

Consideration will be given to entering into a joint venture with a developer.

Exit plans for strategic partners and/or investors will be tailored to their particular requirements.

10 FINANCES

Income will be generated from services provided. The budget is based on the table below. Art Novo will charge a 5% service charge for administration and promotion.

	Costs (1,000 €)			Service Charges	Projected income
	Low	High	Budget		
feature-length films	€2,000	€5,000	€3,500	5%	€175
shorts	€150	€350	€200	5%	€10
animation	€140	€1,500	€700	5%	€35
documentaries	€ 60	€200	€130	5%	€ 7
commercials	€ 2	€80	€40	5%	€ 2

Feature films can command costs in the €100 million range. However, realistically it is not anticipated that Latvia could attract anything over €40 million, and even in this case a proven track record would have to be established and infrastructure improved and modernized before such income levels are achieved.

Five-Year development plan:

	Year 1	Year 2	Year 3	Year 4	Year 5
feature-length films	1	3	4	5	5
shorts	1	2	3	3	3
animation	1	2	3	3	3
documentaries	2	4	5	6	6
commercials	2	4	6	6	6

These are conservative and achievable income levels. It is expected that these can easily be exceeded.

Sources of Income

Art Novo - Annual Projections

Euro

	5 Year Sales Forecast (€)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Film Production Income / Ienākumi	0	237,000	649,000	879,500	1,061,000
Feature-length films / mākslas filmas	-	175,000	525,000	700,000	875,000
Shorts / Īsas filmas	-	10,000	20,000	30,000	30,000
Animation / Animācija	-	35,000	70,000	105,000	105,000
Documentaries / Dokumentārās	-	13,000	26,000	32,500	39,000
Commercials / Reklāmas	-	4,000	8,000	12,000	12,000

No income is projected in year one, though it is expected that activity could take place in the second half of the first year.

Expense Budget

The expense budget has been assembled to reflect a basic level of services for administration personnel and will be considered overhead.

Additional personnel and office expenses will be added on a contractual basis reflecting business requirements and will be considered direct labour or expenses ie. labour and expenses covered by income from assignments.

Art Novo - Annual Projections

	Annual (€)												Total Annual
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Income													
Film Production Income / Ienākumi	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits/ Loans	200,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	200,000	-	-	-	-	-	-	-	-	-	-	-	200,000
Expenses / Izdevumi													
Personel													
Salaries / Atalgojums	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	97,200
Management Costs / Vadības izmaksas	-	-	-	-	-	-	-	-	-	-	-	-	-
employee insurance/ darbinieku apdrošināšana	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax / Uzņēm. Nod.	-	-	-	-	-	-	-	-	-	-	-	-	-
Office / Birojs													
- Rent / Ire	700	700	700	700	700	700	700	700	700	700	700	700	8,400
- Maintenance Costs / Uzturēšana	225	225	225	225	225	225	225	225	225	225	225	225	2,700
- Communications / Sakari	190	190	190	190	190	190	190	190	190	190	190	190	2,280
- Subscriptions / Abonementi	-	-	-	-	-	-	-	-	-	-	-	-	78
- Office supplies / Biroja Izdevumi	35	35	35	35	35	35	35	35	35	35	35	35	420
- Bank Charges and Fees	-	-	-	-	-	-	-	-	-	-	-	-	200
- Legal fees	-	-	-	500	500	500	500	500	500	1,000	1,000	1,000	6,000
- Transportation costs/ transporta izmaksas	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Unanticipated / Neparedzētie izdevumi	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Contract workers/Līgumu darbinieki	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing / Marketings	2,865	5,437	387	387	5,387	387	387	5,387	387	387	5,387	587	27,372
Furniture and Equipment / Mēbeles un iekārtas	7,300	100	100	100	100	100	100	100	100	100	100	100	8,400
Starpniecības pakalpojumi uz projektiem	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Overhead	20,015	15,387	10,337	10,837	15,837	10,837	10,837	15,837	10,965	11,465	16,465	11,665	160,484
Interest Expenses / Procenti par aizdevumu €200k	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Total Expenses	22,515	17,887	12,837	13,337	18,337	13,337	13,337	18,337	13,465	13,965	18,965	14,165	190,484
Profit before Taxes													
Cash Flow	177,485	- 17,887	- 12,837	- 13,337	- 18,337	- 13,337	- 13,337	- 18,337	- 13,465	- 13,965	- 18,965	- 14,165	9,516
Opening Balance	-	177,485	159,598	146,761	133,424	115,087	101,750	88,413	70,076	56,611	42,646	23,681	
Closing Balance	177,485	159,598	146,761	133,424	115,087	101,750	88,413	70,076	56,611	42,646	23,681	9,516	

15% is budgeted for the full €200,000 loan, and 10% share ownership in Art Novo is offered to the investor. Conditions are negotiable.

Art Novo also offers an interest rate of 10% for loans less than the full amount required.

Note that VAT is recovered during operations.

Cash flow projections

Art Novo - Annual Projections

	5 Year Forecast (€)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Film Production Income / Ienākumi	0	237,000	649,000	879,500	1,061,000
Deposits/ Loans	200,000	-	- 200,000		
Total Income	200,000	237,000	449,000	879,500	1,061,000
Expenses / Izdevumi					
Total Overhead	160,484	160,484	160,484	160,484	160,484
Interest Expenses / Procenti par aizdevumu €200k	30,000	30,000	15,000	0	0
Total Expenses	190,484	190,484	175,484	160,484	160,484
Profit before Taxes	9,516	46,516	273,516	719,016	900,516
Cash Flow	9,516	46,516	273,516	719,016	900,516
Opening Balance	-	9,516	56,032	329,548	1,048,564
Closing Balance	9,516	56,032	329,548	1,048,564	1,949,080

The payback period for the €200,000 loan is less than 3 years, with a cash surplus of €1,900,000 after 5 years.

Financial data is presented in the local Latvian currency, the Euro.

Exchange rates as of Tuesday, 22 July, 2014 are:

- 1.00 EUR = \$1.3481 US
- 1.00 EUR = £0.7905 GBP

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