

**Joint Stock Company "Brivais vilnis"**  
Unified registration number 40003056186

**ANNUAL REPORT FOR 2016**  
**AUDITED**

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### General information about the Company

Name of the Company	Joint Stock Company „Brivais vilnis”
Type of the Company	Corporation
Legal address of the Company	1 Ostas Street, Salacgriva, Salacgriva region, LV-4033, Latvia
Registration number in the Company Register	40003056186
Board	Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Dace Bokmeldere, Member of the Board (from 13.06.2016) Kristaps Koškins, Member of the Board (from 13.06.2016) Zinaida Ekmane, Member of the Board (until 13.06.2016) Vasīlijs Iļušins, Member of the Board (until 13.06.2016)
Council	Anda Caune, Chairman of the Council (until 13.06.2016 – Deputy of Chairman of the Council) Ilmārs Reinis, Member of the Council (until 13.06.2016) Deputy of Chairman of the Council (from 13.06.2016 to 23.12.2016) - changes are not recorded in the Commercial Register Ilona Drikina, Member of the Council (until 13.06.2016 - Chairman of the Council) Kaspars Vārpiņš, Member of the Council

### Main information of the Annual Report

Reporting year	01.01.2016 - 31.12.2016
Financial Statement Currency used	Euro (EUR)
Authorized member of the Board, authorized to sign the Annual Report	Arnolds Babris
Annual Report prepared by	Ilga Zēģele, Chief Accountant

### Information on Auditors

Certified audit company	„I.F. Revīzija” Ltd.
Certified audit company license number	109
Certified audit company address	45/47 Elizabetes Street, Riga, LV-1010, Latvia
Certified Auditor	Elita Stabiņa
Certificate number	162

**Balance Sheet**

<b>Assets</b>	<b>Note No.</b>	<b>31.12.2016 EUR</b>	<b>31.12.2015 EUR</b>
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Real estates		3 417 393	3 477 766
land, buildings and constructions		3 417 393	3 477 766
Technological equipment and machinery		185 645	263 704
Other fixed assets and inventory		52 054	95 931
Establishment of fixed assets and assets under construction		30 469	165
<b>Total fixed assets</b>		<b>3 685 561</b>	<b>3 837 566</b>
<b>Total non-current assets</b>	1	<b>3 685 561</b>	<b>3 837 566</b>
<b>Current assets</b>			
<b>Stock</b>			
Raw materials	2	407 150	482 510
Finished goods and goods for sale	3	976 867	945 573
<b>Total stock</b>		<b>1 384 017</b>	<b>1 428 083</b>
<b>Receivables</b>			
Trade receivables	4	1 326 808	1 636 980
Other receivables	5	83 172	88 749
Prepaid expenses	6	96 274	103 938
<b>Total receivables</b>		<b>1 506 254</b>	<b>1 829 667</b>
<b>Cash</b>	7	<b>6 948</b>	<b>74 892</b>
<b>Total current assets</b>		<b>2 897 219</b>	<b>3 332 642</b>
<b>Total assets</b>		<b>6 582 780</b>	<b>7 170 208</b>

Notes on pages 9 to 21 form an integral part of these financial statements.

On behalf of the Board:




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Arnolds Babris  
Chairman of the Board

28.04.2017

<b>Liabilities</b>	<b>Note No.</b>	<b>31.12.2016 EUR</b>	<b>31.12.2015 EUR</b>
<b>Equity</b>			
Share capital (equity capital)		4 339 230	4 339 230
Non-current assets revaluation reserve	8	2 069 479	2 100 135
Share capital denomination reserve		70 890	70 890
Outstanding losses from previous years		(3 042 877)	(2 419 379)
Loss of the reporting year		(664 368)	(760 605)
<b>Total equity</b>		<b>2 772 354</b>	<b>3 330 271</b>
<b>Provisions</b>			
Provisions for vacations		-	52 204
<b>Total provisions</b>		<b>-</b>	<b>52 204</b>
<b>Non-current liabilities</b>			
Loans from credit institutions	9	1 598 780	1 219 780
Other loans	10	50 877	120 060
Taxes and social insurance contributions	11	568 642	249 742
Deferred tax liabilities		-	137 107
Deferred income	12	33 981	60 629
<b>Total non-current liabilities</b>		<b>2 252 280</b>	<b>1 787 318</b>
<b>Current liabilities</b>			
Loans from credit institutions	9	80 000	459 000
Other loans	10	104 683	99 145
Customer advances		306 211	324 122
Accounts payable to suppliers and contractors		761 129	939 638
Taxes and social insurance contributions	11	61 817	37 440
Other liabilities	13	136 946	107 624
Deferred income	12	26 647	26 646
Accrued liabilities	14	80 713	6 800
<b>Total current liabilities</b>		<b>1 558 146</b>	<b>2 000 415</b>
<b>Total creditors</b>		<b>3 810 426</b>	<b>3 787 733</b>
<b>Total liabilities</b>		<b>6 582 780</b>	<b>7 170 208</b>

Notes on pages 9 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris  
Chairman of the Board

28.04.2017

**Profit and loss statement**  
(classified by expense function)

	Note No.	2016 EUR	2015 EUR
Net turnover	15	5 429 601	7 204 108
Cost of sales	16	<u>(5 049 940)</u>	<u>(6 479 817)</u>
<b>Gross profit</b>		<b>379 661</b>	<b>724 291</b>
Distribution costs	17	(168 506)	(223 550)
Administrative expenses	18	(645 270)	(882 720)
Other operating income	19	359 302	443 611
Other operating expenses	20	(462 726)	(666 205)
Interest payable and similar expenses	21	(126 829)	(141 121)
Revenue or costs of the deferred tax liability balance changes		<u>-</u>	<u>(14 911)</u>
<b>Loss of the reporting year</b>		<b><u>(664 368)</u></b>	<b><u>(760 605)</u></b>

*Notes on pages 9 to 21 form an integral part of these financial statements.*

On behalf of the Board:




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Arnolds Babris  
*Chairman of the Board*

28.04.2017

<b>Cash flow statement</b> (prepared under indirect method)	<b>2016</b> <b>EUR</b>	<b>2015</b> <b>EUR</b>
<b>Cash flow from operating activities</b>		
Loss before extraordinary items and taxes	(664 368)	(745 694)
<i>Corrections:</i>		
Depreciation of fixed assets	186 259	202 823
Intangible value write-offs	-	685
Provisioning (excluding the provision for doubtful debts)	-	(88 891)
Interest payable and similar expenses	127 106	141 121
Long-term investment revaluation reserve write-off	(30 656)	(30 656)
Profit from sale of fixed assets	(488)	-
Profit or loss before corrections of the current assets and current liabilities	(382 147)	(520 612)
balance change impact		
Receivables increase	323 413	1 394 546
Increase or decrease of stock balance	44 066	(147 194)
Increase or decrease of suppliers, contractors and other creditors payable debt balance	171 241	(202 265)
Cash from gross operating activities	156 573	524 475
Interest paid	(127 106)	(141 121)
Corporate income tax paid	-	(44 618)
<b>Cash from operating activities</b>	<b>29 467</b>	<b>338 736</b>
<b>Cash flow of investment changes</b>		
Purchase of fixed and intangible assets	(34 254)	(9 251)
Proceeds from sales of fixed and intangible assets	488	-
<b>Net cash flow of investment changes</b>	<b>(33 766)</b>	<b>(9 251)</b>
<b>Cash flow from financing activities</b>		
Loans received	39 226	25 703
Received subsidies, grants gifts and donations	-	36 148
Loans repaid	(32 129)	(306 000)
Lease payments	(70 742)	(98 460)
<b>Net cash from financing activities</b>	<b>(63 645)</b>	<b>(342 609)</b>
<b>Net cash flow of the reporting year</b>	<b>(67 944)</b>	<b>(13 124)</b>
<b>Cash and cash flow equivalents at beginning of the reporting year</b>	<b>74 892</b>	<b>88 016</b>
<b>Cash and cash flow equivalents at end of the reporting year</b>	<b>6 948</b>	<b>74 892</b>

*Notes on pages 9 to 21 form an integral part of these financial statements.*

On behalf of the Board:



Arnolds Babris  
Chairman of the Board

28.04.2017

<b>Statement of changes in equity</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Share capital (equity capital)</b>		
Amount from previous year`s balance sheet	4 339 230	4 339 230
Amount in balance sheet of the reporting year at the end of period	<u>4 339 230</u>	<u>4 339 230</u>
<b>Long-term investments revaluation reserve</b>		
Amount from previous year`s balance sheet	2 100 135	2 130 791
Increase / decrease of long-term investments revaluation reserve balance	<u>(30 656)</u>	<u>(30 656)</u>
Amount in balance sheet of the reporting year at the end of period	<b>2 069 479</b>	<b>2 100 135</b>
<b>Reserves</b>		
Amount from previous year`s balance sheet	70 890	70 890
Amount in balance sheet of the reporting year at the end of period	<u>70 890</u>	<u>70 890</u>
<b>Retained earnings</b>		
Amount from previous year`s balance sheet	(3 179 984)	(2 419 379)
Correction of amount from previous year`s balance sheet	137 107	-
Increase / decrease of retained earnings	<u>(664 368)</u>	<u>(760 605)</u>
Amount in balance sheet of the reporting year at the end of period	<b>(3 707 245)</b>	<b>(3 179 984)</b>
<b>Equity</b>		
Amount from previous year`s balance sheet	3 330 271	4 121 532
Amount in balance sheet of the reporting year at the end of period	<u><b>2 772 354</b></u>	<u><b>3 330 271</b></u>

*Notes on pages 9 to 21 form an integral part of these financial statements.*

On behalf of the Board:




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Arnolds Babris  
*Chairman of the Board*

28.04.2017



## APPENDIX TO THE FINANCIAL STATEMENTS

### GENERAL INFORMATION

Joint Stock Company “Brivais vilnis” (hereinafter - “the Company”) is registered in Company Register of the Republic of Latvia on February 7, 1992. The Company’s main activity is processing and canning of fish, shellfish and molluscs.

### INFORMATION ON ACCOUNTING POLICY USED

#### *Base for preparation of the Annual Report*

Annual Report is prepared according to the “Accounting Law”, “Law on annual reports and consolidated annual reports”, as well as taking into account regulations No.775 of the Cabinet of Ministers of the Republic of Latvia “Law on annual reports and consolidated annual reports application regulations”.

Income statement is classified by function of expense.

Cash flow statement is prepared under indirect method.

#### *General principles of financial statements preparation*

The financial statements are prepared in accordance with the following general principles:

- 1) it is assumed that the Company will continue its work also in future;
- 2) are used the same valuation methods used in the previous financial year;
- 3) the financial statement items are recognized and measured using the precautionary principle, subject to the following conditions:
  - a) financial statements include only the profit earned to the date of balance sheet;
  - b) are taken into account all the obligations, as well as the expected risk amounts and losses incurred in the reporting year or in previous years, even if they have become known in period between the balance sheet date and date, on that the report is signed by the management;
  - c) are calculated and taken into account all the asset value decrease and depreciation amounts, regardless of whether the financial result was a loss or profit.
- 4) amounts in balance sheet and profit or loss items are specified on an accrual basis, namely, income and expenses are indicated taking into account the time they occur, rather than time of receiving or outlay of the money. Income and expenses of the reporting year are taken into account irrespective to date of receipt of the payment or the invoice;
- 5) expenses are conformed to incomes in relevant reporting periods;
- 6) at the beginning of reporting year, amounts specified in relevant balance sheet items correspond to the amounts specified in the same balance sheet items at the end of reporting year, except reclassification of items according to opinion of the management or in connection with changes in legislation of the Republic of Latvia. In case the reclassification is made, it is described in annex to financial statements. The opening balance sheet of reporting year prior to reclassification coincides with closing sheet of the previous year;
- 7) asset and liability items of the balance sheet are valued separately;
- 8) the balance sheet and profit and loss account item amounts are specified, taking into account the content and the nature of economic activities, not only the legal content.

#### *Currency*

Results displayed in this financial statement are in *Euros* (EUR).

All dealings in foreign currencies are revaluated in Euro by applying the official exchange rate of the European Central Bank on the date of the beginning of business transaction.

Foreign currency cash balances and foreign currencies made advances, loans or loan balances, as well as debtor and creditor balances payable in foreign currencies in the financial statement are shown by converting into Euro according to the European Central Bank’s published rate in force in the end of last day of the reporting year. Foreign currency exchange rate fluctuation profit or loss is displayed in profit or loss statement.

#### *Use of estimates*

In the preparation of financial statements, management is required to make estimates and assumptions that impact balances disclosed under certain balance sheet and profit and loss statement items, including the amount of potential liabilities. Future events may impact the assumptions underlying these estimates. Any impact from changes in estimates is disclosed in the financial statements as determined.

### ***Accounting of long-term investments and current assets***

Long-term investments are assets for long-term use (more than 12 months after the end of reporting year) or invested in durable property. The rest assets are current assets. In the Balance sheet specific asset item is indicated as long-term investments or current assets, depending on the purpose for that it is intended.

For each item of receivables in the balance sheet are separately indicated amounts to be received within a year and to be received later than one year after the balance sheet date.

### ***Fixed assets accounting***

Fixed assets in the balance sheet are indicated in net value, calculated from the initial value of fixed assets, deducting depreciation and all the write-offs made.

Fixed assets are taken into accounting in accordance with the initial cost – purchase price or production cost. In future, land and buildings that fair value can be assessed with reasonable confidence, after initial recognition are stated at revaluated amount that is equal to its fair value at the date of revaluation, less accumulated depreciation and impairment loss. Revaluation of land and buildings is performed regularly, depending on changes in fair value. Difference arising on revaluation is recognized in equity under “Long-term investments revaluation reserve”, but the impairment is written off from the asset appreciation, credited in previous year reserve, including the excess in profit and loss statement. Revaluation reserves are allocated to income in the profit and loss statement for the relevant part of annual depreciation volume of the revaluated asset, but at expropriation or liquidation of assets, reserves are written down for the rest of the value.

The initial accounting cost of the fixed asset is gradually written off over its useful life, using the straight-line depreciation method. Land is not depreciated. Depreciation method for each fixed asset is set by an order of the management. In general, they are as follows:

	<i>% per year</i>
Buildings and constructions	1-5
Technological equipment and machinery, vehicles	20
Software	33
Other fixed assets	10 - 50

Fixed assets that value is significantly higher than their initial value or assessment in balance sheet of the previous year, can be revaluated at the higher value, if can be assumed that the increase in value will be durable. Fixed assets are valued at the lower figure, if the asset value at the balance sheet date is lower than the amount that is calculated of its initial cost less accumulated depreciation and it is expected that the impairment will be long – lasting. Revaluation of fixed assets is carried out regularly, depending on the revalued asset changes in fair value.

### ***Stock***

Stock is valued at purchase costs according to the “first in – first out” (FIFO) method. Stock accounting is organized by the continuous stock accounting method. Stock is counted under the actual cost or market price, if it is lower than the actual cost. If necessary, for obsolete, slow moving and defective stock is made provision whether they are written-off.

### ***Accounts receivables***

Accounts receivables are valued in accordance with the precautionary principle and in balance sheet are recognized at net value, the accounting value less allowance for doubtful receivables.

Allowances for doubtful trade receivables are created by the management, individually assessing recoverability of each debt.

### ***Deferred costs***

Payments made before the balance sheet date, but are related to the subsequent financial years, are indicated in the balance sheet item “Deferred costs”.

### ***Cash***

Cash and cash equivalents represent cash on hand and bank accounts.

### ***Accounts payable***

Certain liabilities in the balance sheet are given as long-term creditors and short-term payables, depending on the debt payment or settlement date. Long-term payables include liabilities that payment term is later than 12 months after the end of respective reporting year and that incurred to finance the long-term investments and current assets or to cover liabilities that are not to be included in short-term payables. Short-term payables include the amounts that are due and payable within 12 months after the end of reporting year, and the other obligations, arising from the Company's normal operating cycle.

### ***Lease***

Finance leases, under that all the risks and benefits, resulting from the ownership of the leased item, are transferred to the Company, are recognized in the balance sheet as fixed assets for an amount that at starting of lease complies with the fair value of the leased property, or, if it is lower, the current value of minimum lease payments. Finance lease payments are divided between financial costs and decrease in the liability to provide a constant rate on the outstanding balances. Financial costs are included in the income statement as interest costs.

If there are sufficient grounds to believe that at the end of lease period the subject of the lease will obtain ownership. The expected time of use is assumed as the useful life of the asset. In all other cases, capitalized leased assets are depreciated using the straight-line method, during the assets estimated useful life or the lease term, depending on which of these periods is shorter.

Leases under that substantially all the risks of ownership takes and rewards earns the lessor, are classified as operating leases. Operating lease payments are recognized as an expense over all the lease period on a straight-line basis. The Company's liabilities arising from operating lease contracts are recorded as off-balance sheet liabilities.

### ***Accrued liabilities***

Clearly known liabilities to suppliers of goods and services for goods and services received in the reporting year for that is not received to the balance sheet date an appropriate, for payment provided source document (invoice) due to the supply, purchase or contract terms and conditions or other reasons and estimated liabilities against employees for unused vacation days of the reporting year, are recognized in the balance sheet item "Accrued liabilities".

Previously, liabilities to employees for unused vacation days were presented in the balance sheet item "Provisions for vacations". Changes have been made in accordance with regulation No.775 of the Cabinet of Ministers "Law on annual reports and consolidated annual reports application regulations" that entered into force on the 1<sup>st</sup> January of 2016.

### ***Revenue recognition***

Revenue from sale of goods is recognized, if all of the following conditions are met:

- 1) The Company has transferred to the buyer significant risks and rewards specific for ownership of goods;
- 2) The Company doesn't retain further management rights associated with ownership and real control over the goods sold;
- 3) It is believable that the Company will receive the economic benefits related to the transaction;
- 4) Can be reliable estimated costs incurred or to be incurred in connection with the transaction.

Revenue from services is recognized in period in that services are provided.

### ***Related parties***

As related parties are defined the Company's shareholders and members of the Board and their close relatives, and companies in that they have a significant influence or control.

The Company provides information about its transactions with related parties, if such transactions are significant and do not comply with normal market conditions, indicating the amounts of these transactions, relation type of related parties and other information about these transactions, necessary for an understanding of financial situation of the Company.

## RECLASSIFICATION OF ITEMS

By 1<sup>st</sup> January of 2016, enters into force in the Republic of Latvia the new “Law on annual reports and consolidated annual reports” and related regulations No.775 of the Cabinet of Ministers and lost validity the “Law on annual reports” and related regulations No.488 and No.481 of the Cabinet of Ministers, according to that were prepared financial statements for the previous year.

According to the new “Law on annual reports and consolidated annual reports” it is changed definition of “Profit and loss statement” from “turnover cost method” to “classified by expense function”. According to requirements of the mentioned law, there are changed also names of separate profit and loss and balance sheet items, as well as is made reclassification of items, so that comparative figures of the financial statement for the previous period have been classified in accordance with the principles used in reporting year and are mutually comparable. Reclassification has no impact on the financial result. Respective items of 2015 Cash flow statement are also accordingly reclassified.

	Y 2015 after reclassification	Reclassification	Y 2015 before reclassification
<u>Profit and loss statement</u>			
Cost of sales	(6 479 817)	(20 239)	(6 459 578)
Other taxes	-	20 239	(20 239)
Other operating income	443 611	52 662	390 949
Other operating expenses	(665 205)	(501)	(665 704)
Interest receivable and similar income	-	(52 662)	52 662
Interest payable and similar expenses	(141 121)	501	(141 622)

## SHARE CAPITAL

### *(Information under the Financial Instrument Market Law, Article 56)*

The share capital of the Company is EUR 4 339 230.

The Company`s share capital consists of 3 099 450 bearer shares with voting rights.

The nominal value of each share is EUR 1.40.

All shares have been released in book-entry form. All shares have equal rights to dividends, liquidation quota and voting rights at shareholders` meeting.

As from the 21<sup>st</sup> of May 2007, all shares of the Company are included in Baltic Secondary list of the “NASDAQ RIGA”.

The largest shareholders are companies “A CORPORATION” Ltd. (47.28% of shares) and "BALTIC FINANCE & CAPITAL" Ltd. (49.97% of shares) that are registered in the Republic of Latvia.

There are no restrictions for alienation of shares or receiving of special consent for alienation of shares.

There are no shareholders with special control rights. Shareholders` rights are governed by legislation of the Republic of Latvia. In Statutes of the Company there are not stated restrictions or provisions relating to the right to vote. The Company is not aware of any shareholders agreement.

Election of members of the Board, changes in content of the Board and amendment of the Statutes is performed in accordance with requirements of the Latvian legislation and the Company`s Statutes.

Authority of members of the Board is determined by the Commercial Law and the Company`s Statutes. Members of the Board are not authorized to issue or to redeem shares without authorization of the shareholders` meeting.

There are no significant agreements and contracts concluded by the target company and that provides they enter into force in case of change of control.

There are no agreements between the Company and its members of the Board that provide compensation in cases, when they resign, they are released without a valid reason or they are released after the share redeem offer was made.

## INFORMATION ON OFF-BALANCE SHEET LIABILITIES AND PLEDGED ASSETS

The following agreements have been signed with respect to the security for the loan from the JSC “Baltic International Bank”:

- 1) Mortgage agreement No.622/0108/h signed on August 28, 2000, its annexes and additions according to that the Company transfers to the bank pledge rights on its real estate.
- 2) Mortgage agreement No.25/24/04-139 signed on July 21, 2004, its annexes and additions according to that the Company transfers to the bank pledge rights on its real estate.
- 3) Pledge agreement No.622/0108/ķ1 signed on August 1, 2000, its annexes and additions according to that the Company transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property.
- 4) Pledge agreement No.18/15/10-139 signed on September 10, 2010, its annexes and additions according to that the “A Corporation” Ltd. pledges to the benefit of the JSC “Baltic International Bank” its public issue shares of the JSC “Brivais vilnis”.
- 5) Pledge agreement No.02/27/04-139 signed on August 20, 2004 and Agreement on renewal of pledge agreement signed on January 30, 2015, according to that the “Baltic Finance & Capital” Ltd. pledges to the benefit of bank its public issue shares.

In Limbazi Land Register department of the Regional Court of Vidzeme are consolidated lease rights to premises of pass office with pumping station until August 11, 2019 (cadaster 6615-009-0080-002), leaseholder Tourism promotion and development association of Salacgriva region.

In Limbazi Land Register department of the Regional Court of Vidzeme are consolidated lease rights to the construction – Pier No.3 with cadaster number 66150090007011, lease term – August 18, 2025, leaseholder Salacgriva Port authority.

Finance lease assets acquired are pledged as security for related finance lease liabilities.

The Company’s management is nor aware of any other pledged assets, off-balance sheet commitments, issued guarantees, court proceedings, etc., that could affect the Company’s financial situation as at 31 December 2016.

## NUMBER OF EMPLOYEES, REMUNERATION OF THE KEY MANAGEMENT

<b>Personnel costs</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Wage and salary	1 646 210	2 085 581
Compulsory social insurance contributions	551 384	700 319
<b>Total</b>	<b>2 197 594</b>	<b>2 785 900</b>

### Inter alia, remuneration of the key management

#### Chairman of the Board:

Wage and salary	11 135	13 727
Compulsory social insurance contributions	2 627	3 238
<b>Total</b>	<b>13 762</b>	<b>16 965</b>

Members of the Council and other members of the Board do not receive compensation for their work on Board and Council.

### Number of employees

	<b>2016</b>	<b>2015</b>
Average number of members of the Board during the reporting year	4	4
Average number of other employees during the reporting year	220	322
<b>Total</b>	<b>224</b>	<b>326</b>

#### ADVANCES, LOANS AND GUARANTEES ISSUED TO MANAGEMENT

	31.12.2016 EUR	Refunded EUR	Issued EUR	31.12.2015 EUR
Advances to members of the Board	134	(13 256)	12 249	1 141
<b>Total</b>	<b>134</b>	<b>(13 256)</b>	<b>12 249</b>	<b>1 141</b>

The Company has not issued loans or guarantees to the Company's management during the reporting year.

#### COSTS FOR CERTIFIED AUDITOR SERVICES

Auditor's remuneration for audit of financial statement for 2016 is EUR 6 120. Other services of certified auditors company have not been received during the reporting year.

#### PROPOSAL FOR LOSS COVERING

Losses of reporting and previous years are intended to cover by the Company's capital.

#### THE COMPANY'S CONTINUED OPERATION

At the end of reporting year the Company's liabilities exceed current assets by EUR 913 207, while short-term liabilities are less than the current assets by EUR 1 339 073. To the March 31, 2017, liabilities of the Company exceed current assets by EUR 1 175 733 and short-term liabilities are less than the current assets by EUR 1 076 547. Taking into account the above mentioned, the Board of the Company believes that the Company will be able to settle accounts with the short-term creditors in 2017.

#### INFORMATION ON RELEVANT EVENTS AFTER THE BALANCE SHEET DATE

In March 20, 2017, the Company entered into an Additional agreement to the Loan agreement concluded with the JSC "Baltic International Bank", according to that was increased the amount of credit received for EUR 300 000.

During the period from the last date of reporting year to the date of signing of this financial statement there have been no other significant events that would result in adjustments to the financial statement or that should be explained in the financial statement.

#### INFORMATION ON EVENTS AND TRANSACTIONS THAT DIFFER FROM THE NORMAL OPERATING

During the financial year the Company has any events or transactions that are clearly different from the Company's normal operations.

## BALANCE SHEET ITEMS NOTES

## Note No. 1

## Long-term investments

## Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR
<b>Initial value</b>	
<b>31.12.2015</b>	45 288
Excluded	(726)
<b>31.12.2016</b>	44 562
<b>Accumulated amortization</b>	
<b>31.12.2015</b>	45 288
Excluded	(726)
<b>31.12.2016</b>	44 562
<b>Balance sheet value 31.12.2015</b>	-
<b>Balance sheet value 31.12.2016</b>	-

## Fixed assets

	Land, buildings and constructions EUR	Technological equipment and machinery EUR	Other fixed assets and inventory EUR	Creation of fixed assets EUR	Total EUR
<b>Initial value</b>					
<b>31.12.2015</b>	4 095 033	1 678 225	808 240	165	6 581 663
Purchased	-	755	3 195	30 304	34 254
Excluded	-	22 540	41 606	-	64 146
<b>31.12.2016</b>	4 095 033	1 701 520	853 041	30 469	6 680 063
<b>Accumulated depreciation</b>					
<b>31.12.2015</b>	617 267	1 414 521	712 309	-	2 744 097
Calculated depreciation	60 373	78 814	47 072	-	186 259
Depreciation of excluded fixed assets	-	22 540	41 606	-	64 146
<b>31.12.2016</b>	677 640	1 515 875	800 987	-	2 994 502
<b>Balance sheet value 31.12.2015</b>	3 477 766	263 704	95 931	165	3 837 566
<b>Balance sheet value 31.12.2016</b>	3 417 393	185 645	52 054	30 469	3 685 561

The Company performs regular real estate change control, revaluating those estates, where significant changes in the value of long-term probability exist. At the moment all real estates, which had the potential of change the value of long-term, are revaluated.

**Note No. 2**

<b>Raw materials and auxiliary materials</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials and auxiliary materials	421 365	496 725
Provisions for slow moving materials and low value items	<u>(14 215)</u>	<u>(14 215)</u>
<b>Total</b>	<b><u>407 150</u></b>	<b><u>482 510</u></b>

**Note No. 3**

<b>Finished goods and goods for sale</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Finished goods and goods for sale	979 757	948 463
Provisions for goods with sales value lower than cost	<u>(2 890)</u>	<u>(2 890)</u>
<b>Total</b>	<b><u>976 867</u></b>	<b><u>945 573</u></b>

**Note No. 4**

<b>Trade receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Accounting value of trade receivables	1 874 645	1 954 817
Reserves for doubtful trade receivables	<u>(547 837)</u>	<u>(317 837)</u>
<b>Total</b>	<b><u>1 326 808</u></b>	<b><u>1 636 980</u></b>

**Reserves for doubtful trade receivables**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Provisions at beginning of the year	317 837	4 026 330
Provisioning in the reporting year	230 000	257 406
Doubtful debt write-off of provisions made	-	<u>(3 965 899)</u>
<b>Total</b>	<b><u>547 837</u></b>	<b><u>317 837</u></b>

In 2016 there were recognized as doubtful and made provisions for receivables in amount of EUR 230 000.

Debt payment deadline for individual debtors from the CIS countries has occurred on 31.12.2015, to the date of annual report signing. There is concluded an agreement with the debtor from the Russian Federation on payment of debt during the year 2017, EUR 30 350 were paid in the first quarter of 2017. Problems with realization began in June, 2015 after Russia imposed an economic embargo to fish products produced in Latvia.

The debtor from Turkmenistan has a debt in amount of EUR 86 968, there are difficulties with transfer of currency from this country. To the date of annual report signing the debt is EUR 68 788. The Buyer accepts the existence of the debt and promises to make the payment as soon as possible.

The debtor from Kyrgyzstan has a debt in amount of EUR 230 181. In 2017 it has made the payment in amount of EUR 52 433. The management believes that the debt will be paid.

Other debts are identified and assessed as debts with commercial scale settlement risk. The management believes that receivables are realistic and customers will pay regardless of the contractual delays.

**Note No. 5**

<b>Other receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Tax receivables (see also note No.11)	29 005	50 519
Other receivables	<u>54 167</u>	<u>38 230</u>
<b>Total</b>	<b><u>83 172</u></b>	<b><u>88 749</u></b>



**Note No. 6**

<b>Prepaid expenses</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Property insurance	825	1 337
Media subscriptions	900	876
Other deferred expenses	94 549	101 725
<b>Total</b>	<b>96 274</b>	<b>103 938</b>

**Note No. 7**

<b>Cash</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Cash on accounts of credit institutions	2 385	72 897
Cash on hand	4 563	1 995
<b>Total</b>	<b>6 948</b>	<b>74 892</b>

**Note No. 8**

**Long-term investments revaluation reserve**

<b>Item of fixed assets</b>	<b>Value of item “Long-term investments revaluation reserve” at the beginning of reporting period</b>	<b>Value of item “Long-term investments revaluation reserve” at the end of reporting period</b>	<b>Value of fixed assets at the beginning of period</b>	<b>Reduction correction of fixed assets revaluation reserve</b>	<b>Value of fixed assets at the end of period, if revaluation wouldn` t be made</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Real estate	2 100 135	2 069 479	3 477 766	30 656	1 408 287
<b>TOTAL</b>	<b>2 100 135</b>	<b>2 069 479</b>	<b>3 477 766</b>	<b>30 656</b>	<b>1 408 287</b>

According to the 5<sup>th</sup> paragraph of Article 6 of the law “On Corporate Income Tax”, at determination of taxable income revaluation results are not taken into account in calculation of fixed assets depreciation for tax purposes.

**Note No. 9**

<b>Loans from credit institutions</b>		<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>Interest rate</b>	<b>EUR</b>	<b>EUR</b>
	<b>Repayment date</b>		
Loan from the JSC "Baltic International Bank":	7.00%		
long-term part		1 598 780	1 219 780
short-term part		80 000	459 000
<b>Total</b>		<b>1 678 780</b>	<b>1 678 780</b>

According to the agreement from March 20, 2017, by end of the reporting year, from 31.05.2017 to 31.12.2017, repayment of the loan principal amount shall be carried out on a monthly basis in amount of EUR 10 000.

**Note No. 10****Other loans**

			31.12.2016 EUR	31.12.2015 EUR
<b>Long - term:</b>	<b>Interest rate</b>	<b>Repayment date</b>		
<b>Finance lease liabilities (long-term part):</b>				
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.12.2018	17 474	34 414
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR		-	10 257
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.10.2018	32 848	68 423
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.01.2018	555	6 966
<b>Total</b>			<b>50 877</b>	<b>120 060</b>

			31.12.2016 EUR	31.12.2015 EUR
<b>Short - term:</b>	<b>Interest rate</b>	<b>Repayment date</b>		
<b>Finance lease liabilities (short-term part):</b>				
"Citadele lizings un faktoringi" Ltd.			-	2 054
"Nordea Finance Latvia" Ltd.			-	1 491
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.12.2018	16 882	16 194
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.11.2017	10 252	10 779
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.10.2018	37 955	36 405
"Citadele lizings un faktoringi" Ltd.	3.8% + 6m EURIBOR	15.01.2018	6 794	6 519
<b>Current assets against accounts receivable (factoring):</b>				
"Swedbank lizings un faktoringi" JSC	3.0% + 6m EURIBOR		32 800	25 703
<b>Total</b>			<b>104 683</b>	<b>99 145</b>

**Note No. 11****Taxes payable**

	Balance 31.12.2015 EUR	Calculated EUR	Paid, recovered or directed EUR	Delay and corrections EUR	Balance 31.12.2016 EUR
Corporate income tax	(43 730)	-	41 290	-	(2 440)
Value added tax	(6 789)	(694 617)	674 841	-	(26 565)
Resident income tax	25 956	265 006	(94 669)	422	196 715
Compulsory social insurance contributions	256 047	551 382	(377 798)	2	429 633
Business risk duty	126	1 092	(1 115)	-	103
Real estate tax	-	20 240	(20 240)	-	-
Natural resource tax	5 053	13 913	(14 958)	-	4 008
<b>Total</b>	<b>236 663</b>	<b>157 016</b>	<b>207 351</b>	<b>424</b>	<b>601 454</b>
inter alia:					
<b>Overpaid taxes *</b>	<b>(50 519)</b>				<b>(29 005)</b>
<b>Debt to budget</b>	<b>287 182</b>				<b>630 459</b>
inter alia:					
long-term part **	249 742				568 642
short-term part	37 440				61 817

\*) Tax overpayment is presented in the balance sheet caption "Other debtors".

\*\*) In 2015 and in the previous year, according to the Company's applications, the State Revenue Service took decisions to grant the Company *de minimis* support and to split payments of compulsory social insurance contributions and income tax payments to periods with a maximum payment term until October, 2020. Tax debts that payment deadline is of one year from the balance sheet date, are indicated in long-term payables of the balance sheet.

**Note No. 12**

<b>Deferred income</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Long-term part	33 981	60 629
Short-term part	<u>26 647</u>	<u>26 646</u>
<b>Total</b>	<b><u>60 628</u></b>	<b><u>87 275</u></b>

In 2014 the Company has received the public funding to the Project No.13-00-Z20500-000024 „Purchase of specialized technological equipment and handling facilities and equipment for the production of canned fish” program from the Rural Support Service. In 2015 the Company received the public funding to the project No.14-00-Z20500-000027 from the Rural Support Service.

The Company presents the financing in deferred income and in proportion of equipment depreciation calculation of interest set, includes in annual income of the report.

**Note No. 13**

<b>Other liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Unpaid wages	133 984	104 447
Other liabilities	<u>2 962</u>	<u>3 177</u>
<b>Total</b>	<b><u>136 946</u></b>	<b><u>107 624</u></b>

**Note No. 14**

<b>Accrued liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Accrued liabilities for employee vacations pay	74 593	-
Accrued liabilities for services received during the reporting year	<u>6 120</u>	<u>6 800</u>
<b>Total</b>	<b><u>80 713</u></b>	<b><u>6 800</u></b>

**PROFIT AND LOSS STATEMENT ITEMS NOTES**

**Note No.. 15**

**Net turnover**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Processing and canning of fish, shellfish and molluscs (NACE code 10.20)	<u>5 429 601</u>	<u>7 204 108</u>
<b>Total</b>	<b><u>5 429 601</u></b>	<b><u>7 204 108</u></b>

Information on net turnover by geographical markets is not provided, because the Company’s management believes that this information could seriously harm the Company’s interests.

**Note No. 16**

**Cost of sales**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	3 036 699	3 940 871
Personnel costs	1 430 165	1 851 706
Energy	222 914	291 486
Depreciation	160 003	158 093
Other cost of sales	<u>200 159</u>	<u>237 661</u>
<b>Total</b>	<b><u>5 049 940</u></b>	<b><u>6 479 817</u></b>

**Note No. 17**

<b>Distribution costs</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Supply costs and marketing	61 263	125 805
Personnel costs	84 540	47 899
Depreciation	138	274
Other cost of sales	22 565	49 572
<b>Total</b>	<b>168 506</b>	<b>223 550</b>

**Note No. 18**

<b>Administrative expenses</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Personnel costs	419 639	345 441
Depreciation of fixed and intangible assets	20 600	27 712
Bank services	6 402	7 114
Other external expenses	156 252	324 061
Other administrative expenses	22 978	150 625
Donations, social assistance	19 399	27 767
<b>Total</b>	<b>645 270</b>	<b>882 720</b>

**Note No. 19**

<b>Other operating income</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Income from utilities	86 258	80 135
Income from sales of current assets	38 086	10
Income from auxiliary services	87 405	64 330
Income from lease of premises	12 137	12 949
Unclaimed liabilities	-	3 252
Public funding from the “Rural Support Service” (the part relating to revenues of the reporting year)	26 647	25 945
Income from exchange rate fluctuations	7 606	22 006
Proceeds from long-term investments revaluation reserve write-off	30 656	30 656
Other operating income	70 507	204 328
<b>Total</b>	<b>359 302</b>	<b>443 611</b>

**Note No. 20**

<b>Other operating expenses</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Utility cost	93 688	75 865
Auxiliary service cost	81 885	47 476
Loss from cession, net	-	-
Written-off receivables, provisions for doubtful receivables	232 879	520 182
Penalty	2 133	5 715
Exchange losses	2 527	501
Other costs	49 614	16 466
<b>Total</b>	<b>462 726</b>	<b>666 205</b>

**Note No. 21**

**Interest payable and similar expenses**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Interest payable on loans	<u>126 829</u>	<u>141 121</u>
<b>Total</b>	<b><u>126 829</u></b>	<b><u>141 121</u></b>

On behalf of the Board:



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Arnolds Babris  
*Chairman of the Board*

28.04.2017

Financial statements prepared by:

Chief Accountant



Ilga Zēģele

## MANAGEMENT REPORT

The types of activities performed by the Joint Stock Company “Brivais vilnis” (“the Company”) are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, and other commercial activities classified nowhere else.

Year 2016 is the 25<sup>th</sup> year of operation since the Company was transformed into a Joint Stock Company.

The Company is a leader in product quality, we do not use genetically modified raw materials, synthetic food additives and flavour enhancers in the production.

In 2016 the Company produced a total of 10.4 million cans of various types (161) of canned fish products, including 4.6 million cans of sprat. 10.1 million cans were sold for EUR 5.4 million that is 25% less compared to the previous year.

Impact on decrease of sales volumes of the Company had the economic embargo stated by the Russia, devaluation of the Ukrainian hryvnia, decline in purchasing power of the Transcaucasian and Central Asian countries, as well as was affected by the tough competition in the canned fish sales market in Europe.

The financial result of the year 2016 is loss of EUR 664 368.

The financial result of the Company was affected by creation of fiscal year write-off and doubtful receivables reserves in amount of EUR 230 thousand and sales decline, as well as activities of competitors, reducing the sales prices and selling the canned fish below the cost in order to maintain the market segment.

*Financial risks.* The main financial risks related to the Company’s financial instruments are currency risk, interest rate risk, liquidity risk and credit risk.

*Currency risk.* Financial assets of the Company, subject to foreign currency risk include receivables. This is primarily due to the US dollar currency risk.

*Interest rate risk.* The Company is exposed to the interest rate risk mainly in relation to its short-term and long-term loans.

*Credit risk.* The Company is exposed to the credit risk through its trade receivables. The Company controls its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, the Company continuously controls the accounts receivables balances to minimize the possibility of bad debts.

*Liquidity risk.* The Company controls its liquidity risk through the bank credit granted and through the factoring.


In December, 2016 the Company temporarily stopped the production in order to realize the stock of produced canned fish. The Company restarted the production in February, 2017 in order to ensure fulfilment of orders to customers. The most of terminated employees were taken back to work in the Company.

At the end of reporting year liabilities of the Company are bigger than current assets for EUR , but short-term liabilities are less than current assets for EUR 1 339 073. The Board of the Company believes that the Company will be able to settle accounts with the short-term creditors in 2017. At the same time, the Board considers that taking into account the work done in expansion into new markets in 2015, 2016 and in the beginning of 2017, the Company will overcome the economic and financial difficulties and close the year 2017 without significant loss.

The Company’s goal is to continue to work on search of additional markets in 2017. In 2016, there is signed a contract with a distributor for sales of the products in the USA and in the first half of 2017 we are planning to carry out a regular supply to the US market. In the beginning of 2017, there is concluded a contract with a Japanese company for sales of the products in Japan and other Far East markets. At the same time is continued the work on development of new markets. The Company is ready to increase the export volumes in Ukraine and the Central Asia countries, as soon as the economic situation improves in the regions and the purchasing power increase.

Electronic form of the Corporate Governance Report for 2016 is available on the website of “NASDAQ RIGA” [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com).

On behalf of the Board:



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Arnolds Babris  
Chairman of the Board

## REPORT ON MANAGEMENT’S RESPONSIBILITY

The Board of the Joint Stock Company “Brivais vilnis” confirms that the Annual Report for 2016 of the JSC “Brivais vilnis” for the period from January 1, 2016 to December 31, 2016 is prepared in accordance with existing legislative requirements of the Republic of Latvia and gives a true and fair view of the JSC “Brivais vilnis” assets, liabilities and financial situation. The Management report provides true information on development and operating results of the joint stock company.

The management of the JSC “Brivais vilnis” is responsible for fulfillment of legislative requirements of the Republic of Latvia.

On behalf of the Board:



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Arnolds Babris  
*Chairman of the Board*

28.04.2017

## Independent Auditor's Report

### To the shareholders of AS "Brīvais vilnis"

(translation from Latvian)

#### *Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of AS "Brīvais vilnis" ("the Company") set out on pages 4 to 21 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2016,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of AS "Brīvais vilnis" as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

#### *Basis for Qualified Opinion*

Item "Trade receivables" of the balance sheet of the company on December 31, 2016 includes overdue trade receivables in the amount of EUR 289 476. The management of the company considers the receivables to be recoverable and has not created any provisions for the possible debt value decrease. During the audit we could not obtain sufficient appropriate audit evidence to be able to evaluate the possibility of recovery of the above mentioned trade receivables as well as to determine whether any adjustments for possible decrease in their value to be reflected in the financial statements were necessary.

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

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

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



### *Key Audit Matters*

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

We have determined that apart from the matters described in the section *Basis for Qualified Opinion* there are no other key audit matters to be communicated in our report.

### *Reporting on Other Information*

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

- the Management Report, as set out on page 22 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 23 of the accompanying Annual Report,
- the Statement of Corporate Governance, as a separate component of the Annual Report, indicating in the Management Report a web page address where the Statement of Corporate Governance is publicly accessible in electronic format.

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

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

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

### *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

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

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

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

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

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

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

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

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

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

#### *Auditor's Responsibility for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to *continue as a going concern*.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

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

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

SIA I.F. Revīzija  
Licence No. 109

Elita Stabiņa  
Member of the Board, Certified auditor of Latvia  
Certificate No. 162

Riga, Latvia, 28.04.2017