

Joint Stock Company "Brivais vilnis"
Unified registration number 40003056186

ANNUAL REPORT FOR 2017
(AUDITED)

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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
Names, surnames, positions of Members of the Board	Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Dace Bokmeldere, Member of the Board Kristaps Koškins, Member of the Board
Names, surnames, positions of Members of the Council	Anda Caune, Chairman of the Council Ilona Drikina, Deputy of Chairman of the Council (until 27.07.2017 – Member of the Council) Kaspars Vārpiņš, Member of the Council Ilmārs Ioanns Reinis, Deputy of Chairman of the Council (until 18.05.2017) Jurijs Lavriņenko, Member of the Council (from 27.07.2017 to 14.02.2018)
Largest shareholders	“A CORPORATION” Ltd. Registration No.40003799285 8 Riga Alley, Adazi, Adazi region, LV-2164, Latvia 47,28% of shares “BALTIC FINANCE & CAPITAL” Ltd. Registration No.40003612793 8 - 1 Riga Alley, Adazi, Adazi region, LV-2164, Latvia 49,97% of shares
Reporting year	01.01.2017 - 31.12.2017
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
Name and address of the auditor and the responsible certified auditor	Audit company “Gatis Svīklis Lāsmā Svīkle” Ltd. Company license No.181 123 - 15 Kr.Valdemara Street, Riga, LV-1013, Latvia Responsible certified auditor: Gatis Svīklis Certified auditor`s certificate No.202

BALANCE SHEET

Assets	Note No.	31.12.2017 EUR	31.12.2016 EUR
Non-current assets			
Fixed assets			
Real estates		3 370 383	3 417 393
land, buildings and constructions		3 370 383	3 417 393
Technological equipment and machinery		115 306	185 645
Other fixed assets and inventory		53 299	52 054
Establishment of fixed assets and assets under construction		113 927	30 469
Total fixed assets		3 652 915	3 685 561
Total non-current assets	1	3 652 915	3 685 561
Current assets			
Inventories			
Raw materials	2	417 771	407 150
Finished goods and goods for sale	3	733 250	976 867
Total inventories		1 151 021	1 384 017
Receivables			
Trade receivables	4	939 565	1 326 808
Other receivables	5	79 650	83 172
Prepaid expenses	6	3 674	96 274
Total receivables		1 022 889	1 506 254
Cash	7	21 325	6 948
Total current assets		2 195 235	2 897 219
Total assets		5 848 150	6 582 780

Notes on pages 9 to 20 form an integral part of these financial statements.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

Liabilities	Note No.	31.12.2017 EUR	31.12.2016 EUR
Equity			
Share capital (equity capital)		4 339 230	4 339 230
Non-current assets revaluation reserve	8	2 038 823	2 069 479
Share capital denomination reserve		70 890	70 890
Outstanding losses from previous years		(3 707 245)	(3 042 877)
Loss of the reporting year		(1 122 260)	(664 368)
Total equity		1 619 438	2 772 354
Non-current liabilities			
Loans from credit institutions	9	1 796 750	1 598 780
Other loans	10	5 882	50 877
Taxes and social insurance contributions	11	893 337	568 642
Deferred income	12	9 331	33 981
Total non-current liabilities		2 705 300	2 252 280
Current liabilities			
Loans from credit institutions	9	274	80 000
Other loans	10	87 664	104 683
Customer advances		80 415	306 211
Accounts payable to suppliers and contractors		921 736	761 129
Taxes and social insurance contributions	11	128 490	61 817
Other liabilities	13	136 125	136 946
Deferred income	12	24 650	26 647
Accrued liabilities	14	144 058	80 713
Total current liabilities		1 523 412	1 558 146
Total creditors		4 228 712	3 810 426
Total liabilities		5 848 150	6 582 780

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On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

PROFIT AND LOSS STATEMENT

	Note No.	2017 EUR	2016 EUR
Net turnover	15	6 805 205	5 429 601
Cost of sales	16	<u>(6 573 807)</u>	<u>(5 049 940)</u>
Gross profit		231 398	379 661
Distribution costs	17	(176 250)	(168 506)
Administrative expenses	18	(746 369)	(645 270)
Other operating income	19	312 126	359 302
Other operating expenses	20	(613 547)	(462 726)
Interest payable and similar expenses	21	<u>(129 618)</u>	<u>(126 829)</u>
Loss of the reporting year		<u>(1 122 260)</u>	<u>(664 368)</u>
Loss per share		(0.362)	(0.214)

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On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

CASH FLOW STATEMENT	2017 EUR	2016 EUR
Cash flow from operating activities		
Loss before corporate income tax	(1 122 260)	(664 368)
<i>Corrections:</i>		
Correction of fixed assets depreciation	173 974	186 259
Provisioning (excluding the provision for doubtful debts)	-	(52 204)
Interest payable and similar expenses	129 618	127 106
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		
balance change impact	(849 324)	(434 351)
Increase or decrease of receivables	483 365	323 413
Increase or decrease of stock balance	232 996	44 066
Increase or decrease of suppliers, contractors and other creditors payable debt balance	362 056	223 445
Cash from gross operating activities	229 093	156 573
Interest paid	(129 344)	(127 106)
Net cash flow from operating activities	99 749	29 467
Cash flow of investment changes		
Purchase of fixed and intangible assets	(130 278)	(34 254)
Proceeds from sales of fixed and intangible assets	-	488
Net cash flow of investment changes	(130 278)	(33 766)
Cash flow from financing activities		
Loans received	198 367	39 226
Loans repaid	(80 000)	(32 129)
Lease payments	(73 461)	(70 742)
Net cash flow from financing activities	44 906	(63 645)
Net cash flow of the reporting year	14 377	(67 944)
Cash and cash flow equivalents at beginning of the reporting year	6 948	74 892
Cash and cash flow equivalents at end of the reporting year	21 325	6 948

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On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

STATEMENT OF CHANGES IN EQUITY

	2017 EUR	2016 EUR
Share capital (equity capital)		
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	4 339 230	4 339 230
Long-term investments revaluation reserve		
Amount from previous year`s balance sheet	2 069 479	2 100 135
Increase / decrease of long-term investments revaluation reserve balance	(30 656)	(30 656)
Amount in balance sheet of the reporting year at the end of period	2 038 823	2 069 479
Reserves		
Amount from previous year`s balance sheet	70 890	70 890
Amount in balance sheet of the reporting year at the end of period	70 890	70 890
Retained earnings		
Amount from previous year`s balance sheet	(3 707 245)	(3 179 984)
Correction of amount from previous year`s balance sheet	-	137 107
Increase / decrease of retained earnings	(1 122 260)	(664 368)
Amount in balance sheet of the reporting year at the end of period	(4 829 505)	(3 707 245)
Equity		
Amount from previous year`s balance sheet	2 772 354	3 330 271
Amount in balance sheet of the reporting year at the end of period	1 619 438	2 772 354

Notes on pages 9 to 20 form an integral part of these financial statements.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

APPENDIX TO THE FINANCIAL STATEMENTS

INFORMATION ABOUT THE COMPANY

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 (NACE code 10.20).

INFORMATION ON ACCOUNTING POLICY USED

Base for preparation of the Annual Report

Annual Report is prepared in accordance with the laws of the Republic of Latvia “Accounting Law”, “Law on annual reports and consolidated annual reports” and regulations No.775 of the Cabinet of Ministers “Law on annual reports and consolidated annual reports application regulations” on the assumption of continuation of operation.

Income statement is classified by function of expense.

Cash flow statement is based on an indirect method.

Compared to the previous reporting year the Company’s accounting and valuation methods have not changed.

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

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 1st 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, members of the Board, members of the Council, their close family members and companies in that those persons have control or significant influence.

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.

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 21st 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/kl 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.

Lease agreement with the “Swedbank Lizings” Ltd. was signed on July 27, 2016 (operational lease of a vehicle). The monthly lease payment is EUR 351. The agreement expires on August 15, 2021.

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 2017.

NUMBER OF EMPLOYEES, REMUNERATION OF THE KEY MANAGEMENT

Personnel costs	2017 EUR	2016 EUR
Wage and salary	2 054 297	1 646 210
Compulsory social insurance contributions	480 757	551 384
Total	2 535 054	2 197 594

Inter alia, remuneration of the key management**Chairman of the Board:**

Wage and salary	21 632	11 135
Compulsory social insurance contributions	5 103	2 627
Total	26 735	13 762

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

Number of employees

	2017	2016
Average number of members of the Board during the reporting year	4	4
Average number of other employees during the reporting year	260	220
Total	264	224

ADVANCES, LOANS AND GUARANTEES ISSUED TO MANAGEMENT

	31.12.2017 EUR	Refunded EUR	Issued EUR	31.12.2016 EUR
Advances to members of the Board	1 054	(462)	1 382	134
Total	1 054	(462)	1 382	134

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 2017 is EUR 6 100. 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.

GOING CONCERN

The Company's economic result is a loss of EUR 1 122 260. At the end of reporting year, the Company's liabilities exceed current assets by EUR 2 033 477, while short-term liabilities are less than the current assets by EUR 671 823. According to unaudited data, as at March 31, 2018, liabilities of the Company exceed current assets by EUR 2 191 508 and short-term liabilities are less than the current assets by EUR 628 292. As at December 31, 2017, the Company had a positive equity capital of EUR 1 619 438. 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 and there will be no liquidity problems. The Company's goal in 2018 is to continue to work on additional sales market acquisition and to optimize the cost structure. At the same time, the Board believes that the work on acquisition in 2017 in Japan, China and Finland will allow to overcome economic and financial difficulties. The Company is also ready to increase export volumes in Ukraine and Central Asia as soon as the regions improve their economic situation and increase their purchasing power. Based on the above, the Company's management believes that the presumption of continued operation is applicable to the preparation of this financial statement.

INFORMATION ON RELEVANT EVENTS AFTER THE BALANCE SHEET DATE

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
Initial value	
31.12.2016	44 562
31.12.2017	44 562
Accumulated amortization	
31.12.2016	44 562
31.12.2017	44 562
Balance sheet value 31.12.2016	-
Balance sheet value 31.12.2017	-

Fixed assets

	Land, buildings and constructions EUR	Technological equipment and machinery EUR	Other fixed assets and inventory EUR	Creation of fixed assets and costs of construction objects in progress EUR	Total EUR
Initial value					
31.12.2016	4 095 033	1 656 430	769 828	30 469	6 551 760
Purchased	13 685	8 370	35 815	83 458	141 328
Excluded	-	(4 763)	(3 869)	-	(8 632)
31.12.2017	4 108 718	1 660 037	801 774	113 927	6 684 456
Accumulated depreciation					
31.12.2016	677 640	1 470 785	717 774	-	2 866 199
Calculated depreciation	60 695	78 709	34 570	-	173 974
Depreciation of excluded fixed assets	-	(4 763)	(3 869)	-	(8 632)
31.12.2017	738 335	1 544 731	748 475	-	3 031 541
Balance sheet value 31.12.2016	3 417 393	185 645	52 054	30 469	3 685 561
Balance sheet value 31.12.2017	3 370 383	115 306	53 299	113 927	3 652 915

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

Raw materials and auxiliary materials	31.12.2017	31.12.2016
	EUR	EUR
Raw materials and auxiliary materials	417 771	421 365
Provisions for slow moving materials and low value items	-	(14 215)
Total	417 771	407 150

Note No. 3

Finished goods and goods for sale	31.12.2017	31.12.2016
	EUR	EUR
Finished goods and goods for sale	733 250	979 757
Provisions for goods with sales value lower than cost	-	(2 890)
Total	733 250	976 867

Note No. 4

Trade receivables	31.12.2017	31.12.2016
	EUR	EUR
Accounting value of trade receivables	1 629 033	1 874 645
Reserves for doubtful trade receivables	(689 468)	(547 837)
Total	939 565	1 326 808

Reserves for doubtful trade receivables	2017	2016
	EUR	EUR
Provisions at beginning of the year	547 837	317 837
Provisioning in the reporting year	141 631	230 000
Total	689 468	547 837

In 2017 there were recognized as doubtful and made provisions for receivables in amount of EUR 141 631.

Debts of buyers and customers are deliberate and are to be considered as debts with commercial scale settlement risk. The management believes that receivables are realistic and customers will pay regardless of contractual delays.

Note No. 5

Other receivables	31.12.2017	31.12.2016
	EUR	EUR
Tax receivables (see also note No.11)	12 196	29 005
Other receivables	67 454	54 167
Total	79 650	73 172

Note No. 6

Prepaid expenses	31.12.2017	31.12.2016
	EUR	EUR
Property insurance	2 118	825
Media subscriptions	357	900
Other deferred expenses	1 199	94 549
Total	3 674	96 274

Note No. 7

Cash	31.12.2017 EUR	31.12.2016 EUR
Cash on accounts of credit institutions	8 664	2 385
Cash on hand	12 661	4 563
Total	21 325	6 948

Note No. 8**Long-term investments revaluation reserve**

Item of fixed assets	Value of item “Long-term investments revaluation reserve” at the beginning of reporting period EUR	Value of item “Long-term investments revaluation reserve” at the end of reporting period EUR	Value of fixed assets at the beginning of period EUR	Reduction correction of fixed assets revaluation reserve EUR	Value of fixed assets at the end of period, if revaluation wouldn't be made EUR
Real estate	2 069 479	2 038 823	3 417 393	30 656	1 378 560
TOTAL	2 069 479	2 038 823	3 417 393	30 656	1 378 560

According to the 5th 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**Loans from credit institutions**

	Interest rate	Repayment date	31.12.2017 EUR	31.12.2016 EUR
Loan from the JSC "Baltic International Bank":	7.00%	31.01.2020		
long-term part			1 796 750	1 598 780
short-term part			274	80 000
Total			1 797 024	1 678 780

Note No. 10**Other loans**

		Repayment date	31.12.2017 EUR	31.12.2016 EUR
Long - term:	Interest rate			
Finance lease liabilities (long-term part):				
"Swedbank līzings" Ltd.	3.3% + 6m EURIBOR	15.07.2020	5 882	-
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.12.2018	-	17 474
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.10.2018	-	32 848
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.01.2018	-	555
Total			5 882	50 877
		Repayment date	31.12.2017 EUR	31.12.2016 EUR
Short - term:	Interest rate			
Finance lease liabilities (short-term part):				
"Swedbank līzings" Ltd.	3.3% + 6m EURIBOR	15.07.2020	3 559	-
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.12.2018	17 483	16 882
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.10.2018	32 850	37 955
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.01.2018	575	6 794
"Citadele līzings un faktoring" Ltd.	3.8% + 6m EURIBOR	15.11.2017	-	10 252
Current assets against accounts receivable (factoring):				
"Swedbank līzings" Ltd.	3.0% + 6m EURIBOR		33 197	32 800
Total			87 664	104 683

Note No. 11**Taxes payable**

	Balance 31.12.2016 EUR	Calculated EUR	Paid, recovered or directed EUR	Delay and corrections EUR	Balance 31.12.2017 EUR
Corporate income tax	(2 440)	823	1 619	(2)	-
Value added tax	(26 565)	(470 466)	484 828	7	(12 196)
Resident income tax	196 715	348 426	(75 604)	83	469 620
Compulsory social insurance contributions	429 633	682 772	(565 452)	96	547 049
Business risk duty	103	1 138	(1 140)	-	101
Real estate tax	-	20 253	(20 253)	-	-
Natural resource tax	4 008	18 208	(17 159)	-	5 057
Total	601 454	601 154	(193 161)	184	1 009 631
inter alia:					
Overpaid taxes *	(29 005)				(12 196)
Debt to budget	630 459				1 021 827
inter alia:					
long-term part **	568 642				893 337
short-term part	61 817				128 490

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

**) In 2015 – 2016 and in the reporting 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. 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

Deferred income	31.12.2017	31.12.2016
	EUR	EUR
Long-term part	9 331	33 981
Short-term part	24 650	26 647
Total	33 981	60 628

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

Other liabilities	31.12.2017	31.12.2016
	EUR	EUR
Unpaid wages	133 145	133 984
Other liabilities	2 980	2 962
Total	136 125	136 946

Note No. 14

Accrued liabilities	31.12.2017	31.12.2016
	EUR	EUR
Accrued liabilities for employee vacations pay	137 958	74 593
Accrued liabilities for services received during the reporting year	6 100	6 120
Total	144 058	80 713

PROFIT AND LOSS STATEMENT ITEMS NOTES**Note No. 15**

Net turnover	2017	2016
	EUR	EUR
Processing and canning of fish, shellfish and molluscs (NACE code 10.20)	6 805 205	5 429 601
Total	6 805 205	5 429 601

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	2017	2016
	EUR	EUR
Raw materials	3 979 895	3 036 699
Personnel costs	1 889 599	1 430 165
Energy	296 421	222 914
Depreciation	155 118	160 003
Other cost of sales	252 774	200 159
Total	6 573 807	5 049 940

Note No. 17

Distribution costs	2017	2016
	EUR	EUR
Supply costs and marketing	50 818	61 263
Personnel costs	90 100	84 540
Depreciation	162	138
Other cost of sales	35 170	22 565
Total	176 250	168 506

Note No. 18

Administrative expenses	2017	2016
	EUR	EUR
Personnel costs	454 210	419 639
Depreciation of fixed and intangible assets	12 271	20 600
Bank services	5 943	6 402
Other external expenses	126 362	156 252
Other administrative expenses	124 323	22 978
Donations, social assistance	23 260	19 399
Total	746 369	645 270

Note No. 19

Other operating income	2017	2016
	EUR	EUR
Income from utilities	90 024	86 258
Income from sales of current assets	74 458	38 086
Income from auxiliary services	58 461	87 405
Income from lease of premises	18 278	12 137
Public funding from the “Rural Support Service” (the part relating to revenues of the reporting year)	26 647	26 647
Income from exchange rate fluctuations, net	-	7 606
Proceeds from long-term investments revaluation reserve write-off	30 656	30 656
Other operating income	13 602	70 507
Total	312 126	359 302

Note No. 20

Other operating expenses	2017	2016
	EUR	EUR
Utility cost	97 228	93 688
Auxiliary service cost	46 686	81 885
Written-off receivables, provisions for doubtful receivables	374 446	232 879
Penalty	1 221	2 133
Loss from currency fluctuations, net	22 851	-
Loss from foreign currency exchange, net	1 140	2 527
Other costs	69 975	49 614
Total	613 547	462 726

Note No. 21

Interest payable and similar expenses

	2017	2016
	EUR	EUR
Interest payable on loans	<u>129 618</u>	<u>126 829</u>
Total	<u>129 618</u>	<u>126 829</u>

Authorized member of the Board of the Joint Stock Company “Brivais vilnis”:

Chairman of the Board



Arnolds Babris

30.04.2018

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 2017 is the 26th 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 2017 the Company produced a total of 12.8 million cans of various types (159) of canned fish products, including 4.6 million cans of smoked sprats, there are also 2 types of fish preserves and 3 types of dried sprats produced. 13.1 million cans were sold for EUR 6.8 million that is 30% more 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 and America.

The Company`s economic result for 2017 is a loss of EUR 1 122 260.

The financial result of the Company in the tax year was affected by creation of doubtful account receivable in the amount of EUR 142 thousand and writhe-offs of receivables at a loss of EUR 233 thousand due to the impossibility of recovery.

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.

At the end of reporting year, the Company`s liabilities exceed current assets by EUR 2 033 477, while short-term liabilities are less than the current assets by EUR 671 823. According to unaudited data, as at March 31, 2018, liabilities of the Company exceed current assets by EUR 2 191 508 and short-term liabilities are less than the current assets by EUR 628 292. As at December 31, 2017, the Company had a positive equity capital of EUR 1 619 438. 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 2018 and there will be no liquidity problems. The Company`s goal in 2018 is to continue to work on additional sales market acquisition and to optimize the cost structure. At the same time, the Board believes that the work on acquisition in 2017 in Japan, China and Finland will allow to overcome economic and financial difficulties. The Company is also ready to increase export volumes in Ukraine and Central Asia as soon as the regions improve their economic situation and increase their purchasing power. Based on the above, the Company`s management believes that the presumption of continued operation is applicable to the preparation of this financial statement.

We are continuing to work on development of new product types, on optimization of the cost structure. We are planning to coordinate the cooperation with other canned fish producers to reduce costs related to the acquisition of external markets that until now have been significant for all fishing industry companies.

Electronic form of the Corporate Governance Report for 2017 is available on the website of “NASDAQ RIGA” www.nasdaqbaltic.com.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

REPORT ON MANAGEMENT’S RESPONSIBILITY

The Board of the Joint Stock Company “Brivais vilnis” is responsible for the preparation of the Company’s financial statements.

The Board of the Joint Stock Company “Brivais vilnis” confirms that the Annual Report of the JSC “Brivais vilnis” for 2017 is prepared in accordance with the laws of the Republic of Latvia “Accounting Law”, “Law on annual reports and consolidated annual reports” and regulations No.775 of the Cabinet of Ministers “Law on annual reports and consolidated annual reports application regulations” on the assumption of continuation of operation and gives a existing legislative requirements of the Republic of Latvia and provides a true and fair view of the financial position as at December 31, 2017 and of its financial results and cash flows for the year ended on December 31, 2017. The management report provides true information about the Company’s development and operating results.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

30.04.2018

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT**To the shareholders of AS Brīvais vilnis****Our Qualified Opinion on the Financial Statements**

We have audited the accompanying financial statements of AS Brīvais vilnis ("the Company") set out on pages 4 to 20 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2017,
- 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 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 2017, 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

The Company has been incurring net losses for a number of years and the financial result of 2017 was a net loss of EUR 1 122 260. These circumstances indicate that the carrying amount of the fixed assets as at 31 December 2017 amounting to EUR 3 652 915 may exceed their recoverable amount. The management of the Company has performed an impairment assessment and has not identified impairment as at 31 December 2017. We were not able to satisfy ourselves as to the reasonability of the management's assumptions on the future cash flows, therefore we were not able to satisfy ourselves as to the amount of the possible impairment as at 31 December 2017 using other audit procedures.

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 Responsibility 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.

Material Uncertainty Related to Going Concern

We draw attention to Note "GOING CONCERN" of the financial statements, which indicates that the creditors of the Company as at 31 December 2017 exceed its short-term assets by EUR 2 033 477 and the net financial result of 2017 was a loss of EUR 1 122 260. As stated in Note "GOING CONCERN", these events or conditions, along with other matters as set forth in Note "GOING CONCERN", indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Key Audit Matters

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

In addition to the matters described in the Basis for Qualified Opinion, Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key Audit Matters</i>	<i>Audit Procedures Related to Key Audit Matters</i>
<p><i>Valuation of Inventories</i></p> <p>As disclosed in the Assets of the Company, the Inventories amount to EUR 1 151 021 as at 31 December 2017.</p> <p>Among the most significant inventories are finished goods and goods for sale and other inventories.</p> <p>The amount of inventories in the balance sheet is material and inventories are therefore considered a key audit matter.</p>	<p>We interviewed the management of the Company with respect to the valuation of inventories and we identified that inventories are monitored regularly concerning their age.</p> <p>We participated in the stock take and observed the stock take procedure. On a sample basis we tested if the data in the accounting system complies with the amounts in the warehouse.</p> <p>We analysed the ageing report of the inventories.</p> <p>We tested the proper application of FIFO.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the slow moving and old inventories of the Company.</p>
<p><i>Valuation of Receivables</i></p> <p>As disclosed in the Assets of the Company, the Receivables amounted to EUR 1 022 889., incl. Trade receivables of EUR 939 565, as at 31 December 2017.</p> <p>The recoverable amounts of receivables and the necessary amount of provisions for bad and doubtful receivables are significantly influenced by the management's subjective judgement.</p> <p>The amount of receivables in the balance sheet is material and receivables are therefore considered a key audit matter</p>	<p>We interviewed the management of the Company, assessed their objectivity with respect to their assessment of the financial positions of the debtors and the possibility to recover the debts.</p> <p>While assessing the recoverability of the receivables, we analysed the ageing of the receivables.</p> <p>On a sample basis we sent external confirmations to satisfy ourselves that the valuation of the receivables is not materially misstated.</p> <p>We compared the Company's provisions for bad and doubtful receivables with our calculation.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the provisions for bad and doubtful receivables of the Company.</p>

Other Matters

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 21 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 22 of the accompanying Annual Report,
- the Statement of Corporate Governance, which has been prepared as a separate statement by the management of the Company and which is available in the web page of NASDAQ Riga www.nasdaqbaltic.com on the date of the audit report.

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

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

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

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

We were appointed by those charged with governance to audit the financial statements of AS Brīvais vīlis for the year ended 31 December 2017. Our total uninterrupted period of engagement is 1 year.

We confirm that:

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

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

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

Certified auditor in charge:
Gatis Svklis
Certificate No. 202

Rīga, Latvia
30 April 2018

*This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.