

Joint Stock Company

BRIVAS VILNIS

(Unified registration number 40003056186)

**INTERIM
FINANCIAL REPORT**
for the first six months of 2017
(unaudited)

Salacgrīva 2017

Address: 1 Ostas Street, Salacgriva, LV-4033
Unified registration number: 40003056186

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GENERAL INFORMATION

Name of the company	JSC "Brivais vilnis"
Legal status of the company	Joint Stock Company
Number, place and date of registration	40003056186 Riga, 7 February 1992
Registered office	1 Ostas Street, Salacgriva, LV-4033, Latvia
Major shareholders	"A Corporation "Ltd "(47.28%) Registration No.40003799285 8 Rigas Street, Adazi, LV-2164, Latvia "Baltic Finance & Capital" Ltd (49.97%), Registration No.40003612793 8 Rigas Street, Adazi, LV-2164, Latvia
Board members	Arnolds Babris (Chairman of the Board) Maris Trankalis (Manager) Kristaps Koškins (Commercial) Dace Bokmeldere (Director)
Members of council	Ilona Drikina Anda Caune Jurijs Latviņenko Kaspars Vārpiņš
Financial period	1 January – 30 June, 2017

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MANAGEMENT REPORT

August 31, 2017

The types of activities performed by the JSC "Brivais vilnis" (the Company) are processing and canning of fish and fish products, wholesale of food products and other commercial activities classified nowhere else. On May 14, 2002 the company was registered in the Common commercial register of the Republic of Latvia.

Year 2017 is the 26th year of operation since the Company was transformed into a Joint Stock Company.

In the 1st half of 2017 the Company produced a total of 5.8 million cans of various types (143) of fish products, including 2.4 million cans of sprat. 5.9 million cans were sold for EUR 3.1 million.

The financial result of the 1st half of 2017 is a loss of EUR 490 thousand. These losses are from economic activities of the Company and are related with decrease of production and sales volume and currency fluctuations in the CIS countries. In the fishing industry, the price dumping and the struggle for the market are taking place.

Net turnover of the 1st half of 2017 is EUR 3.1 million.

Result of the 1st half of 2017:

Gross profit 5 594EUR.

The Company's goal is to continue transformation in accordance with the EU and third countries quality requirements, reducing production costs to enable the Company to compete and strengthen its position in existing and new market of canned fish. The Company continues work on adoption of new markets in North America and South America.

The Company continued to work on development of new types of products. We are working on improvement of quality of the current assortment and introduction of new, innovative type of packaging. In this autumn, the Company plans to issue some new products, including sprats in brine without preservatives. The new products will be available also on domestic market, but the Company will focus on the export, as we see more potential in foreign markets.

At the end of June, the Company stopped the production to carry annual repair of factory and districts out, employees could take their leaves and to realize the stock of produced canned fish. In the beginning of August, the Company restarted production of canned fish, in order to ensure fulfilment of orders.

The Company is a leader in product quality, it makes production only from natural raw materials and doesn't use synthetic food additives and genetically modified products.



Arnolds Babris
Chairman of the Board

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REPORT ON BOARD'S RESPONSIBILITY

August 31, 2017

The management of the JSC "Brivais vilnis" is responsible for preparation of financial statement of the Company. Interim financial statements of the Company are not subject for audit.

Financial statements are prepared on basis of accounting entries and source documents and give a real conception about financial position of the Company on the 30st of June 2017.

Financial statements are composed in accordance with accounting standards of the Republic of Latvia, based on continuation principle of business activities.

The management of the JSC "Brivais vilnis" is responsible for fulfillment of legislation requirements of the Republic of Latvia.



Arnolds Babris
Chairman of the Board

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BALANCE SHEET

ASSETS

	30.06. 2017 EUR	31.12. 2016 EUR	30.06. 2016 EUR
NON-CURRENT ASSETS			
Tangible assets			
Land, buildings and constructions	3 387 208	3 417 393	3 447 580
Equipment and machinery	146 257	185 645	224 309
Other fixtures and fittings, tools and equipments	39 706	52 054	69 144
Advances for fixed assets	74 454	30 469	17 312
TOTAL	3 647 625	3 685 561	3 758 345
TOTAL NON-CURRENT ASSETS	3 647 625	3 685 561	3 758 345
CURRENT ASSETS			
Inventories			
Raw materials	408 415	407 150	357 983
Finished goods and goods for sale	873 205	976 867	961 639
TOTAL	1 281 620	1 384 017	1 319 622
Receivables			
Trade receivables	1 055 564	1 326 808	1 146 383
Other receivables	218 783	83 172	139 976
Prepaid expenses	93 763	96 274	101 177
TOTAL	1 368 110	1 506 254	1 387 536
Cash	55 059	6 948	52 718
TOTAL CURRENT ASSETS	2 704 789	2 897 219	2 759 876
TOTAL ASSETS	6 352 414	6 582 780	6 518 221

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EQUITY AND LIABILITIES

	30.06. 2017 EUR	31.12. 2016 EUR	30.06. 2016 EUR
EQUITY			
Share capital	4 339 230	4 339 230	4 339 230
Long term investment revaluation reserve	2 054 152	2 069 479	2 084 807
Other reserves	70 890	70 890	70 890
Retained earnings			
brought forward (loss)	(3 707 245)	(3 042 877)	(3 179 980)
for the period	(490 011)	(664 368)	(128 589)
TOTAL	2 267 016	2 772 354	3 186 358
LIABILITIES			
PROVISIONS			
Other provisions			58 621
TOTAL	-	-	58 621
Non-current liabilities			
Loans from credit institutions	1 744 380	1 598 780	1 219 780
Other loans	50 877	50 877	120 060
Deferred income	33 981	33 981	60 629
Taxes payables	568 642	568 642	249 742
Deferred corporate income tax liabilities			137 107
TOTAL	2 397 880	2 252 280	1 787 318
Current liabilities			
Loans from credit institutions	60 000	80 000	459 000
Other loans	66 342	104 683	37 649
Prepayments received from costumers		306 211	
Trade payables	878 260	761 129	654 647
Taxes payables	356 226	61 817	234 497
Deferred income	13 324	26 647	13 321
Other liabilities	149 056	136 946	80 010
Accrued liabilities	164 310	80 713	6 800
TOTAL	1 687 518	1 558 146	1 485 924
TOTAL LIABILITIES	4 085 398	3 810 426	3 273 242
TOTAL EQUITY AND LIABILITIES	6 352 414	6 582 780	6 518 221

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INCOME STATEMENT

	2 quarters of the year 2017	For year 2016	2 quarters of the year 2016
	EUR	EUR	EUR
Net turnover	3108725	5 429 601	2756409
Cost of sales	-3103431	(5 049 940)	-2476471
Gross profit (loss)	5 294	379 661	279 938
Distribution costs	-87715	(168 506)	-87826
Administrative expenses	-379593	(645 270)	-307103
Other operating income	174127	359 302	149240
Other operating expenses	-139458	(462 726)	-132803
Interest receivable and similar income			71762
Interest payable and similar expenses	-62666	(126 829)	-81557
Profit /(Loss) before taxes	(490 011)	(664 368)	(108 349)
Corporate income tax			
Other taxes			-20240
Profit / (Loss) for the reporting period	(490 011)	(664 368)	(128 589)
Earnings (loss) per share	-0,158	-0,245	-0,041

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CASH FLOW STATEMENT

	For 2 quarters 2017	For 2 quarters 2016
	EUR	EUR
Cash flows to operating activities		
Profit/loss before taxes	(490 011)	(108 349)
Adjustments for:		
Amortization and depreciation	87 631	96 369
Interest expenses	62 666	64 217
Provisions for vacations and current repair	83 596	6 417
Non-current assets revaluation reserve write-off	(15 328)	(15 328)
Operating profit or loss before working capital changes	(271 446)	43 326
Decrease (increase) in inventories	102 397	108 461
Decrease (increase) in receivables	138 144	442 131
Decrease (increase) in prepaid expenses	116 289	(459 994)
Cash used in operations	85 384	133 924
Interest paid	(62 666)	(65 244)
Corporate income tax	-	(2 441)
Real estate tax	(11 854)	(10 023)
Net cash flows to operating activities	10 864	56 216
Cash flows to investing activities		
Purchase of fixed assets	(50 012)	(17 147)
Net cash flows to investing activities	(50 012)	(171 147)
Cash flows to financing activities		
Repaid loans	(61 001)	(25 703)
Leasing payments	(36 044)	(35 540)
Received loans	184 304	
Net cash flows to financing activities	87 259	(61 243)
Change in cash and cash equivalents	48 111	(22 174)
Cash and cash equivalents at the begin of the reporting period	6 948	74 892
Cash and cash equivalents at the end of the reporting period	55 059	52 718

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Long term investment revaluation reserve	Other reserves	Retained earnings	Profit (loss) the reporting period	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 01 January 2016	4 339 230	2 100 135	70 890	(2 419 379)	(760 605)	3 330 271
Revaluation reserve write-off	-	(30 656)				(30 656)
Correction of amount from previous year's balance sheet				137 107		
Reclassification of profit	-			(760 605)	760 605	-
Profit (loss) of the 2016	-				(664 368)	(664 368)
Balance as at 01 January 2017	4 339 230	2 069 479	70 890	(3 042 877)	(664 368)	2 772 354
Reclassification of profit				(664 368)	664 368	-
Profit (loss) of the reporting period					(490 011)	(490 011)
Revaluation reserve write-off		(15 327)				(15 327)
Balance as at 30 June 2017	4 339 230	2 054 152	70 890	(3 707 245)	(490 011)	2 267 016

ACCOUNTING POLICIES

I Summary

The financial statements of AS Brivais vilnis have been prepared in accordance with the law of The Republic of Latvia on Financial Statements of the Companies.

The financial statements are prepared on historical cost basis.

The monetary unit used in the financial statements is EUR, the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2017 through 30 June 2017.

II Earning recognition and net turnover

Net turnover is the total value of finished production and goods sold as well as services provided without discounts and VAT during the year.

Other earnings are recognised at the moment of their origin or at the moment when legal rights on such earnings arise.

Other earnings are caused by exclusion of fixed assets and sales of current assets.

Other interest receivable and similar income is income that is not caused directly by the operating activities.

III Intangible and tangible fixed assets

Intangible and tangible fixed assets have been appreciated according to their acquisition cost.

The cadastral value of land has been assessed.

The write-off value of intangible non-current assets as software is performed on a straight-line basis annually for equal amount.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

The following depreciation rates were established and applied:

	% per annum
Buildings and constructions	1 – 5
Technological equipment and machinery	20
Other fixed assets	10 – 50
Computing and similar devices	33

IV Redeeming leasehold

Such fixed assets as transport that have been purchased on financial lease including the take-over of the related risks have been booked according to their non-lease sales price. Expenditures of leasing interest and similar payments have been included in the income statement of the period it occurred.

V Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Receivables are disclosed in balance sheet at the original invoice amount less provision made. Provision on doubtful receivables is made evaluating each receivable individually. Bad debts are written off when recovery is deemed impossible.

All receivable amounts stated in the balance have to be received during the year after the date of balance.

VI Inventories

The valuation of inventories in financial accountancy is being done using continuous inventory method.

The inventories have been evaluated at their purchase or production cost price using FIFO method.

Decreased value of inventories is written-off as costs of the reporting year.

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VII Corporate income tax

The corporate income tax for the reporting year has been calculated according to the legislative requirements of the Republic of Latvia. The applied tax rate for the corporate income tax in the year 2017 is 15%.

VIII Foreign currency converting

The measure of value and currency used in the annual report is EUR- official currency of the Republic of Latvia.

All monetary positions of assets, equities and liabilities have been converted into EUR .

	30.06.2017
1 USD	1.1412

The profit or loss from the fluctuations on foreign exchange rates is shown in the income statement or loss account of the particular reporting period.

For the informative purpose above stated positions have been converted to EUR according to the exchange rate on 30.06. 2017.

As the prepaid expenses there are stated insurance costs, all kind of subscription and similar kind of expense for the reporting period.

All liabilities are to be settled within the period of year except the ones stated in the interpretation of the balance sheet.

All taxes payable to budget are for the current month.

IX Cash and equivalents

In Cash flow statement cash and its equivalents consists of cash on hand and current balance in bank accounts.