



**Limited Liability Company
"SUNDIN MEŽS"
(Small Company)**

2016./2017. ANNUAL REPORT

**PREPARED IN ACCORDANCE WITH LAW ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL
REPORTS**

WITH INDEPENDENT AUDITOR'S REPORT

8th Financial year

Valmiera, 2017

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BALANCE SHEET

		ASSET	
		31.08.2017.	31.08.2016.
		EUR	EUR
Long-term investments			
Fixed assets	Notes		
Real estate			
a) Land, buildings and constructions		7 445 552	7 039 946
Animals and plants			
a) working or productive animals and perennial plantations		5 014 129	4 468 175
Other fixed assets and inventory		111 281	52 942
Advance payments on fixed assets		40 393	99 091
Total fixed assets		12 611 355	11 660 154
Total long-term investments	3	12 611 355	11 660 154
Current assets			
Inventories			
Raw materials and consumables		255 962	231 281
Total inventories	4	255 962	231 281
Receivables			
Trade receivables	5	151 773	45 067
Other receivables	6	32 621	128 613
Prepaid expense	7	10 378	7 294
Total receivables		194 772	180 974
Cash	8	844 387	641 983
Total current assets		1 295 121	1 054 238
Total assets		13 906 476	12 714 392

The accompanying notes on pages 6 to 23 are an integral part of these financial statement.

 Guntis Ādamsons
 Authorized person

 Eva Dzērve
 Accounting outsourcing company
 LLC Dzērves birojs, Chairman of the
 Board

December 27, 2017

BALANCE SHEET

EQUITY AND LIABILITIES

	Notes	31.08.2017. EUR	31.08.2016. EUR
Equity			
Share capital	9	4 111 899	4 111 899
Retained earnings for the previous year		203 868	313 887
Retained earnings for the reporting year		167 746	(112 643)
Total equity		4 483 513	4 313 143
Provisions			
Other provisions		-	15 063
Total provisions	10	-	15 063
Liabilities			
Non-current liabilities			
Loans form credit institutions	11	3 996 010	3 422 872
Future revenues	12	136 476	141 569
Defferes income tax liabilities			2 624
Total non-current liabilities		4 132 486	3 567 065
Current liabilities			
Loans form credit institutions	13	426 862	1 650 531
Loans from related parties	14	4 748 253	3 097 336
Prepayments received from customers		3 000	-
Trade receivables		83 080	70 178
Taxes and state social insurance payables	15	19 240	755
other payables	16	4 088	255
Deferred income	18	5 756	-
Accrued liabilities	17	198	66
Total current liabilities		5 290 477	4 819 121
Total liabilities		9 422 963	8 386 186
Total equity and liabilities		13 906 476	12 714 392

The accompanying notes on pages 6 to 23 are an integral part of these financial statement.

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 the Board

December 27, 2017

INCOME STATEMENT
 (the function of expenses)

	Notes	2016/2017 EUR	2015/2016 EUR
Net turnover			
b) from pther types of principal activity	19	1 000 513	886 690
Cost of sales	20	(577 611)	(644 694)
Gross profit or loss		422 902	241 996
Distribution costs	21	(11 148)	-
Administrative costs	22	(76 081)	(24 840)
Other operating income	23	21 643	-
Other operating expense	24	(37 116)	(196 952)
Other interest receivable and similar income			
b) form other persons		1 565	2 490
Interest payable and similar expense			
b) for other persons		(115 358)	(125 194)
Profit or loss before extraordinary items		206 407	(102 500)
Corporate income tax for the reporting year		(38 661)	(11 364)
Deferred corporate income tax			1 221
Profit or loss after calculation of enterprise income tax		167 746	(112 643)
Profit or loss of the reporting year		167 746	(112 643)

The accompanying notes on pages 6 to 23 are an integral part of these financial statement.

 Guntis Ādamsons
 Authorized person

 Eva Dzērve
 Accounting outsourcing company
 LLC Dzērves birojs, Chairman of the
 Board

December 27, 2017

Notes to the Financial Statement

General information

Name of the company	Limited Liability company "SUNDIN MEŽS"	
Legal status of the company	Limited Liability company	
Unified registration number, place and date of registration	40103218549 Rīga, 06.03.2009.	
Legal address	Cēsu street 19, Valmiera, LV-4201	
Board	Sundin Anders Erik Olof	Member of the Board
Shareholders	LIVLAND SKOG AB	100.00%
Business activity	NACE 0210 Silviculture and other forestry activities NACE 0220 Logging	
Financial year	01.09.2016. – 31.08.2017.	
Auditors	Biruta Novika Sworn Auditor Certificate No. 106	LLC "Nexia Audit Advice" 9 – 3 Grecinieku Street, Riga, Latvija, LV 1050 Reģ. Nr. 40003858822 Licence No. 134

Notes to the Financial Statements *(continued)*

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Law on Accounting, Law on Annual Reports and Consolidated Annual Reports, Regulations No. 775 of 22.12.2015. issued by the Cabinet of Ministers of the Republic of Latvia "Enforcement policies of the Law on Annual Reports and Consolidated Annual Reports".

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is Euro (EUR), the monetary unit of the Republic of Latvia. Company's accounting and evaluation methods haven't changed compared with previous reporting period.

The income statement is classified by function of expense. Due to changes in laws and regulations - Law On Annual Reports lapsed on 1 January 2016 and Law on Annual Reports and Consolidated Annual Reports entered into force - classification name of the income statement has changed, replacing the name "according to period cost method" with "classified according to the type of expenses". Contents and nature of the items does not change due to the change in the name.

Accounting principles applied

Items of the financial statements have been evaluated according to the following accounting principles:

- a) assumption, that a Company is a going concern;
- b) the same evaluation methods are used as in the previous reporting year;
- c) evaluation is made with proper precaution:
 - the report includes profit that was acquired till the date of the statement of financial position;
 - all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of statement of financial position and the date, when annual report was signed;
 - all impairments and depreciation amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss;
- d) income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year;
- e) assets and liabilities items are evaluated separately;
- f) opening balances of the reporting year match closing balances of the previous year;
- g) all the items, that significantly affect assessment and decision-making of the users of the annual report, are disclosed, non-significant items have been combined and the details are disclosed in the notes;
- h) business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form;
- i) balance sheet and income statement items are stated at the cost of acquisition or production. The cost of acquisition is the purchase price of goods or services (less any discounts granted) plus any extra costs related to the purchase. The cost of production is the cost of acquiring raw materials and consumables and other expenses that are directly attributable to the construction of the asset. The cost of production may also include portions of expenses that are indirectly related to the construction of the asset, provided these costs are attributable to the same period.

Reporting period

The financial statements cover the period from **01.09.2016.** to **31.08.2017.**

Notes to the Financial Statements (continued)

The use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

Going concern

On 31 August 2017, the Company's current liabilities exceeded its current assets by EUR 3 995 356. Short-term liabilities include a short-term loan of EUR 426 862 from a long-term bank, repayable by 31 January 2018, and a loan from a related party of EUR 4,748,253 for which the repayment term may be extended. The company member Livland Skog AB declares that it will provide financial support to the extent that it is necessary for the Company to fulfill its obligations and continue to operate in the future. The management of the company forecasts that it will not have liquidity problems and that the Company will be able to settle with other creditors within the deadlines set. Therefore, the Company's management believes that the presumption of continued operation is applicable to the preparation of this financial statement.

Change in accountants policy

In connection with the Law on Annual Reports and Consolidated Annual Reports entry into force for annual reports that start on 1 January 2016 and later in 2016, the management of the Company has changed its accounting policy with respect to investment properties and biological assets in the Company's balance sheet. In the financial statement of the year 2016/2017, investment properties are stated in the item "land, buildings and constructions" and biological assets in the item "fixed assets" and not as separate long-term investment categories. The benchmarks are accordingly reclassified to ensure the comparability of items.

An item that has been corrected	The indicators in the financial statements for 2015/2016, a year before the change / correction, EUR	Change / correction amount, EUR	Figures in financial statements of 2015/2016 before reclassification EUR
Balance sheet correction			
Land, buildings and constructions	6 876 042	163 904	7 039 946
Investment properties	163 904	(163 904)	-
Biological assets	4 468 175	(4 468 175)	-
Working or productive animals and perennial plantations	-	4 468 175	4 468 175

In connection with the Law on Annual Reports and Consolidated Annual Reports entry into force for annual reports that start on 1 January 2016 and later in 2016, the management of the Company has changed its accounting policy with respect to:

- classification of the real estate tax in the income statement. In annual financial statements for 2016/2017 real estate tax expenses are presented according to its nature in the item "Production cost price of produce sold" rather than under the item "Other taxes" as before
- continue to recognize the financial statement deferred tax. 2015/2016 Deferred Income Tax Liabilities are reclassified to the item "Retained earnings for the previous year"

Comparative figures for 2015/2016 profit or loss is reclassified to ensure comparability of the items.

Balance sheet figures have not been reclassified, not ensure comparability of data. It is determined Amendments Regulations No.775 of 22.12.2015. issued by the Cabinet of Ministers of the Republic of Latvia "Enforcement policies of the Law on Annual Reports and Consolidated Annual Reports" 305.²

Notes to the Financial Statements (continued)

If a company, when initiating the application of the law, ceases to indicate another asset or liability item in the balance sheet (for example, the carrying amount of the liability "Deferred tax liability"), it shall be reclassified in the relevant item in the accounting year, taking into account the economic content and nature of the amount indicated in this item (for example, deferred tax the amount of the outstanding balance is reclassified to retained earnings for the previous years and, after reclassification, is indicated in the balance sheet caption "Retained earnings and uncovered losses of previous years").

Effect of change in accounting policy on figures of the previous year:

An item has been corrected	The indicators in the financial statements for 2015/2016, a year before the change / correction, EUR	Change / correction amount, EUR	Figures in financial statements of 2015/2016 before reclassification EUR
Income statement correction			
Production cost price of produce sold, purchase costs for goods sold or services provided	(623 491)	(21 203)	(644 694)
Other taxes (real estate tax)	(21 203)	21 203	-

Reclassification of items

In the reporting period, in order to improve the prepared profit and loss account and balance sheet quality, including in accordance with the requirements of the Annual Report and Consolidated Annual Report Laws and Cabinet Regulations issued on the basis of the law, changes in the classification of positions (including details of items) were made in comparison with the previous report period of time. In the event that it is virtually impossible to reclassify comparative amounts, then there is no reclassification of items. For reclassification (including details of positions) there is no effect on financial results. 2016/2017 the comparative figures for the annual report for the period from 1 January 2015 to 31 August 2015. classified after 2016/2017. year annual report and are comparable.

Contingencies

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Currency and foreign currency revaluation

The functional currency of the Company and monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. All transactions in the foreign currency are revaluated to euro according to the Euro foreign exchange reference rates set by the European Central Bank, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last day of the reporting year.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the income statement in net value.

Non- current and current items

Amounts presented in long-term items are the amounts with the maturity term for receipt, payment or write-off coming into effect more than a year after the end of the respective reporting year. Amounts receivable, payable or to be written-off within a year are presented as short-term items.

Notes to the Financial Statements (continued)

Related parties

Related parties are defined as Company's shareholders, board members (key management personnel) and entities that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

Related parties are defined also as entities in which the Company has significant influence or control.

Within these financial statements, the related parties of the Company are a member -Livland Skog AB and a member of the board, Olof Sundin.

Subsidiaries

Subsidiary is a company directly or indirectly controlled by another company (i.e. where the Company holds more than

50% of shareholders voting rights). The parent company exercises control over the subsidiary's financial and business policy. Investments in subsidiaries are measured initially at cost. If the value of an investment at the balance sheet date is lower than its cost or carrying amount reported in the prior-year balance sheet, and such impairment is expected to be permanent, the investment is recognised at the lower value.

Intangible assets and fixed assets

Intangible assets and property, plant and equipment are initially measured at cost.

Property, plant and equipment are recognized as non-current assets if their acquisition cost exceeds 300 euro. Purchases under 300 euro are recognised as low-value inventory.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Only rights acquired in exchange for consideration are indicated in the item "Concessions, patents, licenses, trademarks, and similar rights".

Records of animals and plants. It includes inventories of forest stands, their historical value, which includes the purchase price, including non-deductible purchase taxes, as well as any directly attributable costs for the preparation of the assets for the working condition and delivery to their place in accordance with their intended use.

As of 01 September 2016, in accordance with Cabinet Regulation No. Title 775 6.5. "Forest and forest stand record keeping peculiarities in accounting", no. 139, when purchasing real estate, the value of a forest stand can be determined by the Company in two ways at the moment of purchase of immovable property, indicating the value of the forest stand in the Purchase Agreement or to divide the value of the forest stand and the value of the forest land based on the cadastral value of the land plot with which the forest stand is physically connected and the value of the forest stand, subject to the requirements contained in the regulatory enactments regarding the procedure for assessing the forest stand (according to the data of the State Forest Service).

Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

<i>Fixed assets:</i>	<i>Years</i>	<i>%</i>
Buildings and constructions	20.00	5%
Machines and equipment	6.00	16.66%
Vehicles	5.00	20%
Computing equipment	3.00	33.33%
Other fixed assets and inventory	5.00	20%

Notes to the Financial Statements *(continued)*

Depreciation is calculated starting with the following month after the intangible asset or property, plant and equipment is ready for intended use. Land is not depreciated. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

If any events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable, the value of the related fixed assets is reviewed to determine their impairment. If there are values for non-recoverability and if the asset's carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The recoverable amount of tangible assets is the highest of net realizable value and value in use.

Profit or loss from alienation of a long-term investment object is indicated in the income statement in the net value.

Repair and restoration costs that increase useful life and value of assets are capitalized and depreciated over their estimated useful lives. Other repair and restoration costs are recognized as expenses of the reporting period.

The initial value of unfinished construction objects is increased by the interest and other direct costs incurred for establishing the fixed assets, up to the time when the newly created object was put into operation. The initial value of the corresponding fixed asset is not increased by interest on borrowings used to create fixed assets during periods when the development work of an unfinished construction object is not performed.

If an investment in a leased asset (for example, reconstruction, upgrading or renewal) is recognized, such cost is recognized in the balance sheet caption "Long-term investments in leased fixed assets" and calculated on depreciation during the lease term.

Inventories

Inventories are recorded at the lower of cost or net realizable value according to the periodical inventory method.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- materials and purchased goods are accounted for according to their acquisition costs using the "First Inside - First Out" (FIFO) method.

Net realizable value is the estimated selling price in the ordinary course of business, minus the estimated completion and sales costs. Net realizable value is recognized as cost price, less accumulated provisions.

Receivables

Receivables are recognized at original invoice amount less an allowance for any doubtful amounts. The allowance for any doubtful amounts is made in the cases, when the collection of these amounts is problematic. Bad debts are written off when the recovery is deemed impossible.

Signs that an amount receivable may be doubtful:

- delayed payment of debt, after repeated reminders the debtor still does not pay or the debtor is questioning the Company's right to recover the debt;
- the debtor's poor financial situation and negative operating results or other circumstances indicating the debtor's failure to pay the full amount of the debt (known, that the debtor is subject of proceedings for its recognition as bankrupt), etc.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Notes to the Financial Statements *(continued)*

Other debtors

The Company under the item "Other debtors" presents those debtors that cannot be presented in other items, including tax overpayments, debit balances of accounts payable.

Prepaid expense and deferred revenue

Payments made before the balance sheet date but referring to the next financial years shall be indicated in the item "Next period costs".

Payments received before the balance sheet date but referring to the next financial years or further financial years shall be indicated in the balance sheet item "Next period revenue".

Cash

Cash and cash equivalents include cash in bank and on hand.

Share capital

The item "Equity" shows the share capital according to the capital registered in the Commercial Register.

Payables

Payables are reported according to supporting documents and checked with respective creditors by reconciling balances.

Loans and borrowings

Loans and borrowings are initially recognized at cost, determined by the fair value and plus directly attributable transaction costs for issued loans and net of directly attributable transaction costs for borrowings received.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provision is made for re-cultivation costs, which will result in the relevant for bog recultivation when peat extraction work has been completed.

Accrued liabilities

Accrued liabilities comprise clearly known trade payables for goods or services which have been supplied during the reporting year but for which payment documents (invoices) have not been received by the balance sheet date due to the terms of the supply, sale or contractor agreement or for any other reasons.

Reserve for unused leaves

Reserve for unused leaves is determined by multiplying the average salary for the last six months of the reporting year of each employee by the number of unused accrued annual leave days.

Advances from customers

Advances from customers are payments which in accordance with the contract the buyer pays the seller before the receipt of goods or service.

Other payables

The company under the item "Other payables" presents those creditors that cannot be presented in other items, including credit balances of accounts receivable.

Notes to the Financial Statements *(continued)*

Dividends

Claims and obligations in respect of dividends are recognized when the shareholders' right to receive the payment is established, which means that only when the distribution is authorised by the shareholders decision, as well as when the amount of dividends is calculated.

Taxes and mandatory state social insurance contributions

Tax information society are reconciled with the tax administration. Payables Society presents only tax debts, any overpayments including under other receivables. Payables reflects only Company's tax debts, tax overpayments are included under other debtors.

Grants

Grants received for specific types of capital investments are accounted for as future periods of income, which are gradually included in the period of the useful life of the fixed assets acquired or received during the grants. Grants to cover expenses are recognized in income during the same period when incurred, if all the conditions attached to the grant are met.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) it is probable that the economic benefits associated with the transaction will flow to the Company;
- 4) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company reports the sale of goods, taking into account the economic substance and not merely the legal form.

Rendering of services

Revenue arising from the rendering of services is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the balance sheet date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.

Other income

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the income statement as incurred;

Notes to the Financial Statements (continued)

- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the income statement as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- other income – as incurred.

Corporate income tax

Corporate income tax includes current corporate income tax. Corporate income tax is recognized in the income statement. Current corporate income tax is calculated in accordance with the Law on Corporate Income Tax and is applied statutory tax rate of 15% on taxable income.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

1. Average number of employees

	2016/2017	2015/2016
Average number of employees	4	1

2. Operating activities of employed wage and salary

	2016/2017	2015/2016
Reward for work	24 907	-
State social insurance contributions	5 875	-
Total	30 782	-

Administration salary	2016/2017	2015/2016
Reward for work	37 257	4 440
State social insurance contributions	8 789	1 047
Total	46 046	5 487

Notes to the Financial Statements (continued)

Notes to Balance sheet

3. Property, plant and equipment, and biological assets

	Land*	other fixed assets and inventories	Advance for land	Animals and plants	Total
	EUR	EUR	EUR	EUR	EUR
Purchase value on 31.08.2016.	7 039 946	96 921	99 091	4 468 175	11 704 133
Increases in value, including improvements	316 722	111 208	94 199	627 517	1 149 646
Disposal	(50 275)	(30 319)	(12 450)	(82 851)	(175 895)
Move	139 159	-	(140 447)	1 288	-
Purchase value on 31.08.2017.	7 445 552	177 810	40 393	5 014 129	12 677 884
Depreciation on 31.08.2016.	-	43 979	-	-	43 979
During the financial year the estimated impairment adjustments	-	29 122	-	-	29 122
written off	-	(6 572)	-	-	(6 572)
Depreciation on 31.08.2017.	-	66 529	-	-	66 529
Balance at 31.08.2016.	7 039 946	52 942	99 091	4 468 175	11 660 154
Balance at 31.08.2017.	7 445 552	111 281	40 393	5 014 129	12 611 355

* During the reporting year changes were made in the classification of positions in compliance with the Law on Annual Report and Consolidated Annual Reports and Cabinet Regulations No. 775 requirements. In the previous financial statements for the period from 1 September 2015 to 31 August, the relevant category of transaction was classified in the item "Long-Term Investments" in the balance sheet, reclassification has no impact on the financial results.

4. Inventories

	31.08.2017. EUR	31.08.2016. EUR
Value of inventories	255 962	231 281
Total	255 962	231 281

Notes to the Financial Statements (continued)

5. Trade receivables

	31.08.2017. EUR	31.08.2016. EUR
Value of receivables	285 911	179 205
Provisions for doubtful debtors	(134 138)	(134 138)
Total	151 773	45 067

On 31 August, 2016 provisions for doubtful receivables were made, as it became clear that the debtor SIA LBH would not pay our debt to us in the amount of 132 725 euros. Since August 2016, SIA Sundin Mežs has begun the necessary procedural steps to recover the debt. Similarly, ZS Mazpeiva's debt for land rent of 1 413 euro is to be classified as doubtful.

6. Other receivables

	31.08.2017. EUR	31.08.2016. EUR
Loan to a legal entity	19 601	99 601
Real Estate tax overpayment	42	-
Other receivables (deposit)	4 919	1 530
Value added tax overpayment	8 059	13 382
Corporate income tax overpayment	-	14 100
Total	32 621	128 613

On 16 September 2013, a Loan Agreement No. 1 was concluded and granted a loan for SIA Saltus G of EUR 99 601.

In clause 4 of the agreement, as collateral for the amount of the Loan is determined - real estate in Valmiera, Salaca siela 14.

As of 27 February 2015, the additional interest rate on the contract is 2.5% per annum.

7. Prepaid expense

	31.08.2017. EUR	31.08.2016. EUR
Annual membership fee in professional organizations	270	267
Real Estate tax advance payments	8 325	6 910
Advance payment for goods and services	1 783	117
Total	10 378	7 294

8. Cash

	31.08.2017. EUR	31.08.2016. EUR
Cash on current accounts	844 387	641 983
Total	844 387	641 983

Notes to the Financial Statements (continued)

9. The share capital of the Company

The Company's registered and paid share capital EUR 4 111 899 consist of 4 111 899 shares with a nominal value of EUR 1 per share.

10. Provisions

	31.08.2017. EUR	31.08.2016. EUR
Provision for expected expenses from sales of felling	-	15 063
Total	-	15 063

11. Loans from credit institutions (Non-current liabilities)

	Effective interest rate	Maturity	31.08.2017. EUR	31.08.2016. EUR
* Borrowing from AS Luminor Bank	2.05%+EURIBOR	31.01.2018.	-	426 862
** Borrowing from AS Luminor Bank	2.05%+EURIBOR	31.10.2018.	996 010	996 010
*** Borrowing from AS Luminor Bank	2.05%+EURIBOR	31.12.2019.	1 000 000	1 000 000
**** Borrowing from AS Luinor Bank	2.05%+EURIBOR	31.08.2020.	1 000 000	1 000 000
***** Borrowing from AS Luminor Bank	2.05%+EURIBOR	31.08.2021.	1 000 000	-
Total			3 996 010	3 422 872

* On February 28, 2013, the Loan Agreement No. 2013-24-A-R was signed with Nordea Bank Finland Plc for the amount of EUR 426,862. The repayment term of the loan is 31 January 2018. The initially set interest rate of 2.75% on August 27, 2015 was only changed to 2.05%. The base interest rate RIGIBOR set at the start of the contract (January 1, 2014), has been changed to the single national currency of the euro, the annual EURIBOR rate. Mortgage agreement was concluded to secure a loan in favor of the bank on 02/28/2013. There were 97 real estate pledged. The amount of the mortgage is fixed at EUR 554 920, which consists of the principal amount of the loan and potential follow-up claims of EUR 128 058.

** On December 19, 2013 the Loan Agreement No. 2013-325-A-R was signed with Nordea Bank Finland Plc for the amount of EUR 996 010. The repayment term of the loan is 31 October 2018. The initially set interest rate of 2.75% on August 27, 2015 was only changed to 2.05%. The base interest rate RIGIBOR set at the start of the contract (January 1, 2014), has been changed to the single national currency of the euro, the annual EURIBOR rate. Mortgage agreement was concluded to secure a loan in favor of the bank on 12/19/2013. There were 172 real estate pledged. The amount of the mortgage is fixed at EUR 1 294 813, which consists of the principal amount of the loan and potential follow-up claims of EUR 298 803.

*** On January 13, 2015 the Loan Agreement No. 2015-3-A-R was signed with Nordea Bank Finland Plc for the amount of EUR 1 000 000. The repayment term of the loan is 31 December 2019. The initially set interest rate of 2.75% on August 27, 2015 was only changed to 2.05%. The base interest rate EURIBOR. Mortgage agreement was concluded to secure a loan in favor of the bank on 01/13/2015. There were 171 real estate pledged. The amount of the mortgage is fixed at EUR 1 300 000, which consists of the principal amount of the loan and potential follow-up claims of EUR 300 000.

**** On August 24, 2015 the Loan Agreement No. 2015-177-A-R was signed with Nordea Bank Finland Plc for the amount of EUR 1 000 000. The repayment term of the loan is 31 August 2020. The initially set interest rate of 2.05% and the base interest rate EURIBOR. Mortgage agreement was concluded to secure a loan in favor of the bank on 08/24/2015. There were 321 real estate pledged. The amount of the mortgage is fixed at EUR 1 300 000, which consists of the principal amount of the loan and potential follow-up claims of EUR 300 000.

Notes to the Financial Statements (continued)

***** On July 1, 2016 the Loan Agreement No. 2016-127-A-R R was signed with Nordea Bank Finland Plc for the amount of EUR 1 000 000. The repayment term of the loan is 31 August 2021. The initially set interest rate of 2.05% and the base interest rate EURIBOR. Mortgage agreement was concluded to secure a loan in favor of the bank on 08/31/2016 There were 129 real estate pledged. The amount of the mortgage is fixed at EUR 1 300 000, which consists of the principal amount of the loan and potential follow-up claims of EUR 300 000.

	31.08.2017. EUR	31.08.2016. EUR
Long-term loan repayment period		
From 2 - 5 years	3 996 010	3 422 872
Total	3 996 010	3 422 872

12. Deferred income (Non-current)

	31.08.2017. EUR	31.08.2016. EUR
Long-term revenues from the EU project (Year 2012)	48 780	48 780
Long-term revenues from the EU project (Year 2014)	84 736	84 736
Long-term revenues from the EU project (Year 2015)	2 960	2 960
Deferred income for land lease	-	5 093
Total	136 476	141 569

	31.08.2017. EUR	31.08.2016. EUR
Depreciation period for future periods		
From 2 - 5 years	48 780	53 873
After 5 years	87 696	87 696
Total	136 476	141 569

According to the project "Improvement of the economic value of the forest", the Company has received payments from the Rural Support Service. According to the terms of the project, the company undertakes to provide the Latvian State and EU institutions with the possibility to monitor and control during the project implementation, and to ensure free access to the forest during the project of planting, as well as documents and information. Aid is received to obtain long-term assets. Deferred income will be recognized as soon as non-current assets are sold.

13. Loans from credit institutions (current liabilities)

	31.08.2017. EUR	31.08.2016. EUR
*Loan from Nordea Bank Finland Plc	-	1 650 531
**Loan from Nordea Bank Finland Plc	426 862	-
Total	426 862	1 650 531

* On July 13, 2012 the Loan Agreement No. 2012-217-A-R was signed with Nordea Bank Finland Plc for the amount of EUR 1 650 531. The repayment term of the loan is 30 June 2017. The initially set interest rate of 2.75% on August 27, 2015 was only changed to 2.05%. The base interest rate RIGIBOR set at the start of the contract (January 1, 2014), has been changed to the single national currency of the euro, the annual EURIBOR rate. Mortgage agreement was concluded to secure a loan in favor of the bank on 07/23/2012. There were 96 real estate pledged. The amount of the mortgage is fixed at EUR 2 145 691, which consists of the principal amount of the loan and potential follow-up claims of EUR 495 159.

Notes to the Financial Statements (continued)

** On February 28, 2013. the Loan Agreement No. 2013-24-A-R R was signed with Nordea Bank Finland Plc for the amount of EUR 426 862 The repayment term of the loan is 31 January 2018. The initially set interest rate of 2.75% on August 27, 2015 was only changed to 2.05%. The base interest rate RIGIBOR set at the start of the contract(January 1, 2014), has been changed to the single national currency of the euro, the annual EURIBOR rate. Mortgage agreement was concluded to secure a loan in favor of the bank on 02/28/2013. tika noslēgts Hipotēkas līgums. There were 97 real estate pledged. The amount of the mortgage is fixed at EUR 554 920, which consists of the principal amount of the loan and potential follow-up claims of EUR 128 058.

14. Payables to related companies

			31.08.2017. EUR	31.08.2016. EUR
*Loan from Livland Skog AB, EUR	1%	on request	1 039 583	1 029 583
** Loan from Livland Skog AB, SEK	1%	on request	1 073 464	1 062 941
*** Loan from Livland Skog AB, EUR	1%	on request	1 014 812	1 004 812
**** Loan from Livland Skog AB, EUR	1%	on request	1 620 394	-
Total			4 748 253	3 097 336

* Including, accrued interest on August 31, 2017 is EUR 39 583.

** Including, accrued interest on August 31, 2017 is EUR 21 187.

*** Including, accrued interest on August 31, 2017 is EUR 14 812.

**** Including, accrued interest on August 31, 2017 is EUR 2 920.

15. Taxes and state social insurance payments

	31.08.2017. EUR	31.08.2016. EUR
State mandatory social insurance payments	2 114	126
Personal income tax	1 073	153
Corporate income tax	16 052	-
State fee of business risk	1	-
Real estate tax	-	476
Total	19 240	755

16. Other payables

	31.08.2017. EUR	31.08.2016. EUR
Wages and salaries	4 057	255
Settlement of claims against staff	31	-
Total	4 088	255

Notes to the Financial Statements (continued)

17. Accrued liabilities

	31.08.2017. EUR	31.08.2016. EUR
Accrued obligations to suppliers	198	66
Total	198	66

18. Deferred income

	31.08.2017. EUR	31.08.2016. EUR
Deferred income for land lease	5 756	-
Total	5 756	-

NOTES OF PROFIT OR LOSS STATEMENT

19. Net turnover

	2016./2017. EUR	2015./2016. EUR
Revenue from sales of timber	855 408	855 458
Revenue from land lease	11 338	8 822
Revenue from Christmas tree sales	132 448	22 382
Other Revenue	1 319	28
Total	1 000 513	886 690

20. Cost of sales

	2016./2017 EUR	2015./2016. EUR
Forest and land management costs	354 422	405 742
The cost of timber sold	67 788	182 518
Purchase costs of Christmas tree sold	68 356	13 550
Wages and salaries	24 907	-
State social insurance payments	5 875	-
State fee of business risk	7	-
Health insurance	287	-
Depreciation of non-current assets	29 122	21 681
Work clothing and equipment	1 128	-
Maintenance costs for forest equipment	677	-
Real estate tax	25 042	21 203
Total	577 611	644 694

Notes to the Financial Statements (continued)

21. Distribution costs

	2016./2017. EUR	2015./2016. EUR
Transportation costs	11 148	-
Total	11 148	-

22. Administrative expense

	2016./2017. EUR	2015./2016. EUR
Wages and salaries	37 257	4 440
State social insurance payments	8 789	1 047
State fee of business risk	8	5
Health insurance	286	-
Communication costs	1 434	-
Office expenses	4 834	2 995
Accounting services	9 710	8 520
Legal services	1 000	1 400
Transportation costs	3 671	-
Audit expenses	1 800	1 600
Banking services	388	1 505
Other administrative expenses	5 635	3 328
Unofficial office expenses	734	-
Representation expenses	98	-
Business trips expenses	437	-
Total	76 081	24 840

23. Other operating income

	2016./2017. EUR	2015./2016. EUR
Insurance indemnity	21 643	-
Total	21 643	-

Notes to the Financial Statements (continued)

24. Other operating expense

	2016./2017. EUR	2015./2016. EUR
Loss from sale of fixed assets, net, incl.:	4 927	16 900
<i>proceeds from the sale of fixed assets</i>	<i>69 094</i>	<i>10 000</i>
<i>residual value of sold fixed assets</i>	<i>(74 021)</i>	<i>(26 900)</i>
Loss from exchange rate fluctuations, net	507	5 445
Paid fines, penaltie	10	763
States fees	345	506
Donations	4 500	4 000
Loan expenses	25 812	33 314
Establishment of provisions for doubtful receivables	-	134 138
Cultural and sporting events	1 015	-
Other expenses	-	1 886
Total	37 116	196 952

Information on profit or loss from disposal of long-term objects

	Balance value at the time of the exclusion EUR	Sequestration proceeds EUR	Seizure costs EUR	Gross revenues or expenses EUR	Profit or loss from disposal of an object EUR
Long-term investment object					
RE Zemeņu iela 1	10 347	-	-	10 500	153
RE Lielsalas	12 027	-	-	20 527	8 500
RE Āboliņi	14 350	-	-	14 500	150
RE Vecmedņi	2 339	-	-	2 350	11
RE Meža Braslas	7 608	-	-	7 650	42
RE Bajāri	3 604	-	-	3 650	46
TRE Toyota Hilux	23 746	-	-	9 917	(13 829)
Total	74 021	-	-	69 094	(4 927)

25. Financial risk management

Company faced with financial instruments, as loans from credit institutions, financial leasing companies, trade receivables and other receivables, trade payables and other payables, which arise directly from of the economic activities.

Financial risks

The main financial risks related to the Company's financial instruments are foreign currency risk, liquidity risk and credit risk.

Notes to the Financial Statements *(continued)*

Currency risk

The Company's monetary assets and liabilities that are subject to foreign currency risk comprise cash, trade payables. The Company is exposed to foreign currency risk mainly due to the EUR currency.

Liquidity risk

Society manages its controlling enterprise liquidity risk by maintaining appropriate amount of money or providing adequate funding through the loans from the participant and credit institutions as well as financial leases.

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. Society management controls its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. The Company has no significant concentration of credit risk with any single counterparty or similar group of partners.

26. Events after the balance sheet date

During the period from the last date to financial statements date there have been no events that result in the financial statements requiring adjustment or disclose additional information.

Overseas Company LLC Dzērves Birojs Chairman of the Board - Accountant has prepared Company 2016/2017 Annual Report and it has been signed by the authorized person on 27 December 2017.

Guntis Ādamsons
Authorized person

Eva Dzērve
Accounting outsourcing company
LLC Dzērves birojs, Chairman of the
Board

Management report

27 December 2017

LLC "Sundin mežs" (hereinafter - the Company) is registered in the Commercial Register of the Republic of Latvia on March 6, 2009 with a view to expanding various activities related to real estate in Latvia. This is the eighth financial year of the Company.

The company mainly deals with forestry, logging and similar services.

The company concluded the reporting year with:

- Net turnover of EUR 1 000 513;
- Profit of EUR 167 746;
- The balance sheet total amounts of EUR 13 906 476.

Profit came from the sale of timber and the successful management of real estate. At the end of the financial year, LLC Sundin Mežs owns 524 (five hundred twenty four) real estate (land and forest) in the Vidzeme region.

In the financial year 2017/2018 it is planned to consider further possibilities and necessity to expand the Company's property as well as to continue managing the existing property.

During the period from the last day of the report to the date of signature of this financial report there were no events that would result in adjustments in this financial statement or should be explained in this financial statement.

LLC „Sundin mežs” management is responsible for the prepared annual report. The annual report is prepared in accordance with the accounting records and gives a clear and true view of the financial position of the company and its performance.

The profit of EUR 167 746 is intended to be left unoccupied and used for the development of business activities.

Guntis Ādamsons
Authorized person