

LIMITED LIABILITY COMPANY  
**SUNDIN MEŽS**  
(REGISTRATION NUMBER 40103218549)

**ANNUAL REPORT**  
FOR THE PERIOD  
1 SEPTEMBER 2013 THROUGH 31 AUGUST 2014

(5th financial year)

**Valmiera, 2014**

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## General information

|   |   |   |
|---|---|---|
| Name of the company   | <b>SUNDIN MEŽS</b>  |   |
| Legal status of the company                                 | Limited liability company   |   |
| Core business activity                                      | Land and real estate management                                   |   |
| Unified registration number, place and date of registration | 40103218549<br>Riga, 6 March 2009                                 |   |
| Registered office   | Cēsu iela 19,<br>Valmiera, Latvia, LV-4201                        |   |
| Shareholders  | LIVLAND SKOG AB (100%),<br>Kungsgatan 1A, SE 35230, Vaxjo, Sweden |   |
| Board Member  | Sundin Anders Erik Olof   |   |
| Authorized person   | Guntis Ādamsons   |   |
| Financial year  | 1 September 2013 –31 August 2014                                  |   |
| Auditors  | Ilga Matule<br>Latvian Certified Auditor<br>Certificate No. 140   | SIA Leinonen Audit<br>Vīlandes iela 3<br>Riga, Latvia, LV-1010<br>Licence No. 131 |

## Management report

14 October 2014

SIA Sundin mežs (hereinafter – the Company) was registered with the Commercial Register of the Republic of Latvia on 3 March 2009 for performing various real estate activities in Latvia. This is the fifth year of the Company's operations.

The core business activity of the Company is forestry, logging, and related services.

The Company closed the reporting year with a profit of EUR 186 095. The profit is gained by successful timber sales and forest management. At the end of the financial year SIA Sundin mežs owned 5.167 ha.

In the year 2013/2014, the Company intends to consider further development opportunities and acquisition of additional properties, as well as to continue the management of the existing properties.

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto, except as disclosed in the accompanying financial statements.

The management of SIA Sundin mežs is responsible for the prepared annual report. The annual report has been drawn up in accordance with accounting records and gives a true and fair view of the financial position, results of operations, and cash flows of the Company.

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Guntis Ādamsons  
Authorized person

## Income statement

|                                      | Notes | 01/09/2013-<br>31/08/2014<br>EUR | 01/09/2012-<br>31/08/2013<br>EUR |
|--------------------------------------|-------|----------------------------------|----------------------------------|
| Net turnover                         | 2     | 810,520                          | 444,555                          |
| Management expense                   | 3     | (485,016)                        | (264,334)                        |
| <b>Gross profit/(loss)</b>           |       | <b>325,504</b>                   | <b>180,221</b>                   |
| Administrative expense               | 4     | (12,288)                         | (10,654)                         |
| Other operating income               | 5     | 4,684                            | 21,599                           |
| Other operating expense              | 6     | (25,934)                         | (21,899)                         |
| Interest payable and similar expense | 7     | (83,672)                         | (54,372)                         |
| <b>Profit before taxes</b>           |       | <b>208,294</b>                   | <b>114,895</b>                   |
| Corporate income tax                 |       | (13,544)                         | (13,569)                         |
| Other taxes                          | 8     | (8,655)                          | (5,189)                          |
| <b>Net profit for the period</b>     |       | <b>186,095</b>                   | <b>96,137</b>                    |

The accompanying notes form an integral part of these financial statements

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Guntis Ādamsons  
Authorized person

## Balance sheet ASSETS

|                                      | Notes | 31.08.2014<br>EUR       | 31.08.2013<br>EUR       |
|--------------------------------------|-------|-------------------------|-------------------------|
| <b>NON-CURRENT ASSETS</b>            |       |                         |                         |
| <b>Property, plant and equipment</b> |       |                         |                         |
| Land                                 |       | 3,836,182               | 2,643,803               |
| Advance for land                     |       | 49,229                  | 32,584                  |
| Fixed assets                         |       | 76,463                  | 85,278                  |
| TOTAL                                |       | <u>3,961,874</u>        | <u>2,761,665</u>        |
| <b>Biological assets</b>             |       |                         |                         |
| Biological assets                    |       | 2,612,377               | 1,801,519               |
| TOTAL                                |       | <u>2,612,377</u>        | <u>1,801,519</u>        |
| <b>TOTAL NON-CURRENT ASSETS</b>      | 10    | <b>6,574,251</b>        | <b>4,563,184</b>        |
| <b>CURRENT ASSETS</b>                |       |                         |                         |
| <b>Receivables</b>                   |       |                         |                         |
| Trade receivables                    |       | 80,661                  | 32,678                  |
| Other receivables                    | 11    | 9,017                   | 16,609                  |
| Prepaid expense                      | 12    | 3,753                   | 1,720                   |
| Loan to Saltus G                     |       | 99,601                  | -                       |
| TOTAL                                |       | <u>193,032</u>          | <u>51,007</u>           |
| <b>Cash</b>                          |       | <u>803,495</u>          | <u>770,522</u>          |
| <b>TOTAL CURRENT ASSETS</b>          |       | <u>996,527</u>          | <u>821,529</u>          |
| <b>TOTAL ASSETS</b>                  |       | <u><b>7,570,778</b></u> | <u><b>5,384,713</b></u> |

The accompanying notes form an integral part of these financial statements

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Guntis Ādamsons  
 Authorized person

## Balance sheet EQUITY AND LIABILITIES

|   |       | 31.08.2014      | 31.08.2013      |
|---|-------|-----------------|-----------------|
| <b>EQUITY</b>                           | Notes | <b>EUR</b>      | <b>EUR</b>      |
| Share capital                           | 13    | 4111 899        | 2110 522        |
| Retained earnings                       |       | 31 835          | (64 302)        |
| Profit for the reporting period         |       | 186 095         | 96 137          |
| <b>TOTAL EQUITY</b>                     |       | <b>4329 829</b> | <b>2142 357</b> |
| <b>LIABILITIES</b>                      |       |                 |                 |
| <b>Long term liabilities</b>            |       |                 |                 |
| Loan from credit institutions           | 14    | 3073 403        | 2077 393        |
| Deffered income                         | 17    | 107 483         | 49 589          |
| <b>TOTAL</b>                            |       | <b>3180 886</b> | <b>2126 982</b> |
| <b>Current liabilities</b>              |       |                 |                 |
| Loan from shareholder                   | 15    | -               | 1063 077        |
| Trade payables                          | 16    | 60 063          | 38 667          |
| Taxes and social security contributions | 18    | -               | 13 568          |
| Accrued liabilities                     |       | -               | 62              |
| <b>TOTAL</b>                            |       | <b>60 063</b>   | <b>1115 374</b> |
| <b>TOTAL LIABILITIES</b>                |       | <b>3240 949</b> | <b>3242 356</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |       | <b>7570 778</b> | <b>5384 713</b> |

The accompanying notes form an integral part of these financial statements

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Guntis Ādamsons  
Authorized person

## Notes to the financial statements

### 2. Net turnover

|                             | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|-----------------------------|---------------------------|---------------------------|
| Income from timber sales    | 808 464                   | 416 625                   |
| Income from land lease      | 1 426                     | 1 750                     |
| Income from the sale of wax | 0                         | 25 720                    |
| Other income                | 630                       | 460                       |
| <b>TOTAL:</b>               | <b>810 520</b>            | <b>444 555</b>            |

### 3. Management expense

|                                    | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|------------------------------------|---------------------------|---------------------------|
| Forest and land management expense | 354 099                   | 179 269                   |
| The cost of sold timber            | 109 667                   | 73 279                    |
| Depreciation                       | 21 250                    | 11 786                    |
| <b>TOTAL:</b>                      | <b>485 016</b>            | <b>264 334</b>            |

### 4. Administrative expense

|                              | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|------------------------------|---------------------------|---------------------------|
| Accounting services          | 5 151                     | 4 240                     |
| Bank charges                 | 388                       | 414                       |
| Office expenses              | 2 718                     | 2 302                     |
| Other administrative expense | 4 031                     | 3 698                     |
| <b>TOTAL:</b>                | <b>12 288</b>             | <b>10 654</b>             |

### 5. Other operating incomes

|  | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|--|---------------------------|---------------------------|
| Interest income from loans               | 4 684                     | -                         |
| Income from the sale of real estate, net | -                         | 21 599                    |
| <b>TOTAL:</b>                            | <b>4 684</b>              | <b>21 599</b>             |



## 6. Other operating expenses

|                                | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|--------------------------------|---------------------------|---------------------------|
| State fees                     | 1 505                     | 942                       |
| Donation                       | 0                         | 7 114                     |
| Credit expenses                | 10 133                    | 4 452                     |
| Non-deductible VAT             | 0                         | 9                         |
| Fluctuations in exchange rates | 72                        | 9 382                     |
| ESF acquisition costs          | 14 224                    | 0                         |
| <b>TOTAL:</b>                  | <b>25 934</b>             | <b>21 899</b>             |

## 7. Interest payable and similar charges

|                        | 01/09/2013-<br>31/08/2014 | 01/09/2012-<br>31/08/2013 |
|------------------------|---------------------------|---------------------------|
| Interest on bank loans | 83 672                    | 54 372                    |
| <b>TOTAL:</b>          | <b>83 672</b>             | <b>54 372</b>             |

8. **Other taxes** consist of the real estate tax expense for the reporting period.

## 9. Staff costs

### *Key management personnel compensation*

During the reporting period, the Board Members did not receive any remuneration for their functions in the Board.

### *Average number of employees*

The average number of employees in the reporting period was 0.

## 10. Property, plant and equipment, and biological assets

|   | Land             | Advance for<br>land | Other fixed<br>assets | Biological assets | <b>TOTAL</b>     |
|---|------------------|---------------------|-----------------------|-------------------|------------------|
| Acquisition value as at 31/08/2013          | 2,643,803        | 32,584              | 97,922                | 1,801,519         | 4,575,828        |
| 2013/2014 Additions                         | 1,192,379        | 49,229              | 12,435                | 920,525           | 2,174,568        |
| Disposals                                   | -                | (32,584)            | -                     | (109,667)         | (142,251)        |
| Acquisition value as at 31/08/2014          | 3,836,182        | 49,229              | 110,357               | 2,612,377         | 6,608,145        |
| Accrued depreciation as at 31/08/2013       | -                | -                   | 12,644                | -                 | 12,644           |
| 2013/2014 Depreciation                      | -                | -                   | 21,250                | -                 | 21,250           |
| Accrued depreciation as at 31/08/2014       | -                | -                   | 33,894                | -                 | 33,894           |
| <b>Net carrying amount as at 31/08/2013</b> | <b>2,643,803</b> | <b>32,584</b>       | <b>85,278</b>         | <b>1,801,519</b>  | <b>4,563,184</b> |
| <b>Net carrying amount as at 31/08/2014</b> | <b>3,836,182</b> | <b>49,229</b>       | <b>76,463</b>         | <b>2,612,377</b>  | <b>6,574,251</b> |

### **Cadastral value of the Company's real estate**

As at 31 August 2014, the cadastral value of the Company's real estate was EUR \_\_\_\_\_.

#### **11. Other receivables**

|                                | 31/08/2014   | 31/08/2013    |
|--------------------------------|--------------|---------------|
| Overpayment of value added tax | 8 837        | 16 070        |
| Overpayment of income tax      | 180          | 11            |
| Other debtors                  | -            | 528           |
| <b>TOTAL:</b>                  | <b>9 017</b> | <b>16 609</b> |

#### **12. Prepaid expense**

|   | 31/08/2014   | 31/08/2013   |
|---|--------------|--------------|
| Annual membership fee in professional organizations | -            | 356          |
| Overpaid real estate tax                            | 3 723        | 1 350        |
| Advance payments for brokerage                      | 30           | 14           |
| <b>TOTAL:</b>                                       | <b>3 753</b> | <b>1 720</b> |

**13. The share capital of the Company** is EUR 4 111 899 and consists of 4 111 899 shares. The par value of each share is EUR 1.

#### **14. Loans from the credit institution**

|                                   | <i>Interest rate (%)</i> | <i>Repayment term</i> | 31.08.2014       | 31.08.2013       |
|-----------------------------------|--------------------------|-----------------------|------------------|------------------|
| Loan from Nordea Bank Finland Plc | 2.75                     | 30.06.2017            | 1 650 531        | 1 650 531        |
| Loan from Nordea Bank Finland Plc | 2.75                     | 31.01.2018            | 426 862          | 426 862          |
| Loan from Nordea Bank Finland Plc | 2.75                     | 31.01.2019            | 996 010          | -                |
| <b>Total:</b>                     |                          |                       | <b>3 073 403</b> | <b>2 077 393</b> |

\*July 13, 2012, was signed Annex H-1 to Loan (Credit) Agreement nr.2013-217-A-R, which is called a Mortgage Agreement. Borrower Sundin Mežs SIA as a mortgager gives Nordea Bank Finland Plc's as Lender a pledge for LVL 1.508.000.00 (one million five hundred eight thousand and 00/100 lats). Collateral consists of 96 pieces of real estate. LVL 1.508.000.00, that comprises from Loan in amount of LVL 1.160.000.00 and ancillary claims LVL 348.000.00.

May 28, 2013, was signed Annex H-2 to Loan (Credit) Agreement nr.2013-24-A-R, which is called a Mortgage Agreement. Borrower Sundin Mežs SIA as a mortgager gives Nordea Bank Finland Plc's as Lender a pledge for LVL 390.000.00 (three hundred ninety thousand and 00/100 lats). Collateral consists of 97 pieces of real estate. LVL 390.000.00, that comprises from Loan in amount of LVL 300.000.00 and ancillary claims LVL 90.000.00.

#### **15. Loans from the related parties**

|   | <i>Interest rate (%)</i> | <i>Repayment term</i> | 31.08.2014 | 31.08.2013       |
|---|--------------------------|-----------------------|------------|------------------|
| Loan from Livland Skog AB (Granplantan AB)* | 0%                       | Under request         | 0          | 1 063 077        |
| <b>Total:</b>                               |                          |                       | <b>0</b>   | <b>1 063 077</b> |

\* Interest accrued as at 31 August 2014 amounts to EUR 0 (31/08/2013: EUR 89 869).

**16. Trade payables** basically comprise balances due for forest management.

### 17. Deferred income

Under the project Afforestation of Unfarmed Land, the Company has received payments from the Rural Support Service. According to the project terms, the Company commits to providing the Latvian state and EU authorities with a possibility to perform monitoring and control during the project implementation, and to ensuring free access to the forest planted during the project, as well as documents and information. Support is obtained to acquire non-current assets. Deferred income will be recognised as soon as non-current assets are sold.

### 18. Taxes payable

|                          | 31.08.2013   | Calculated | Paid      | 31.08.2014   |
|--------------------------|--------------|------------|-----------|--------------|
| Value added tax          | 16 070       |            |           | 8 837        |
| Real estate tax          | 11           |            |           | 0            |
| Corporate income tax     | (13 568)     |            |           | 180          |
| <b>TOTAL:</b>            | <b>2 513</b> |            | <b>()</b> | <b>9 017</b> |
| <b>TOTAL RECEIVABLE:</b> | <b>2 513</b> |            |           | <b>9 017</b> |

\* Overpayment of taxes is disclosed as *Other receivables*.

### 19. Financial risk management

The Company's principal financial instruments comprise loans from the shareholder and cash. The main purpose of these financial instruments is to ensure financing for the Company's operations.

#### **Financial risks**

The main financial risks arising from the Company's financial instruments are interest rate risk and liquidity risk.

#### *Interest rate risk*

The Company was exposed to interest rate risk mainly through its non-current borrowings.

#### *Liquidity risk*

The Company manages its liquidity risk by arranging an adequate amount of loans from the shareholder, which refers to investments in securities. The Company acquires and manages only freely disposable shares on liquid stock markets.

### 20. Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements, there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

### 21. Going concern

As at 28 February 2014, the Company's current liabilities exceeded its current assets by LVL 62 688, mostly due to the current loan from the shareholder.

In 10 December 2013 Livland Skog AB, a lender and a shareholder of the Company, provided a letter of financial support to the extent that is required for the Company to meet its obligations and continue as a going concern in 2013/2014.

## **Independent auditors' report**