

SIA "BALTIC DAIRY BOARD"

(UNIFIED REGISTRATION NUMBER 43603036823)

**UNAUDITED CONDENSED FINANCIAL
STATEMENTS
for the six month period ended 30 June 2020**

BAUSKA, 2020

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

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General information

Name of the Company	BALTIC DAIRY BOARD
Legal status of the Company	Limited liability company
Unified registration number, place and date of registration	43603036823 Bauska, 21 July 2008
Address	Stacijas Street 1 Bauska, Latvia, LV-3901
The type of Actions (NACE)	Operation of dairies and cheese making (NACE 2.red.10.51)
Board Members names, surnames and positions	Kaspars Kazāks, Member of the Board from 26.04.2019
Council Members names, surnames and positions	Ivars Ķirsons, Chairman of the Council to 13.08.2020 Edvīns Samulis, Deputy Chairman of Council to 17.08.2020 Ivo Lidums, Member of the Council to 21.08.2020
Financial year	1 January 2020 - 30 June 2020
Previous financial year	1 January 2019 - 31 December 2019
Auditor's name and address	Natālija Zaiceva Sworn auditor (LZRA Certificate No. 138) SIA "Oriens Audit & Finance" LZRA Licence Nr.28 Gunara Astras Street 8b Riga, LV-1082

SIA BALTIC DAIRY BOARD
REPORT OF THE MANAGEMENT
to the six month period ended 30 June 2020

1. Type of operations:

1. Using specific plant and equipment, research and acquired knowledge on biotechnological production processes, a specific raw material with high added value is produced - GOS powder (galacto-oligosaccharide, a product with particularly strong prebiotic properties), which is being supplied to companies in the infant and baby food sector.
2. Baltic Dairy Board Ltd. (hereinafter - the Company) carries out in-depth processing of conventional and organic raw milk and its by-products, producing raw materials for butter, cheese, milk and whey protein powder, as well as lactose powder.
3. In addition, the Company carries out the production and export of a demanded industrial organic niche product (Organic Milk Permeate) with high added value.
4. Another important activity is the provision of milk, skimmed milk, whey and whey concentrate processing services to other companies.

2. Significant events in the first 6 months of 2020:

1. KOCHER and HALAL certificates were renewed and extended.
 2. The Energy Management System was extended, certified in accordance with the requirements of ISO 50001.
 3. The Company's organic processing certificate was renewed and extended.
 4. Following the World Health Organization's announcement on 11 March 2020 that COVID-19 had reached pandemic proportions, on 12th of March the Latvian government decided to declare a state of emergency, thus limiting and trying to reduce the rapid spread of the virus, recommending movement and social contact reduction. Procedures have been implemented in the territory and premises of Baltic Dairy Board Ltd. factory to prevent the spread of the virus, protect employees and continue production work. The company performs daily health monitoring (measurement of body temperature) of employees and all other authorized persons before entering the production area. Cleaning and disinfection activities are intensified in the company's office and production premises, as well as hand washing and disinfection facilities are available in several places. The company has sufficient stock of raw materials and auxiliary materials to ensure production processes, as well as the company is in constant contact with raw material suppliers and clients outside Latvia, concerning future production planning. The order volumes of GOS products were not affected by the global COVID-19 situation, and the production and delivery of these products hasn't changed. Organic product orders, on the other hand, fell by 75% in April, due to the culmination of COVID-19 uncertainty at the end of March/beginning of April and huge congestions on borders, which forced our suppliers and customers to significantly reduce their supply of organic raw materials and finished product orders in April. This situation had a negative impact on turnover and profits in April 2020, but already in May the production and turnover of organic products returned to the previous level.
- At present, it can be concluded that the negative impact on the production process was only for one month (April), but it is not possible to predict how the situation could develop in the future, thus there is uncertainty about economic development. The company's management believes that Baltic Dairy Board Ltd. will be able to overcome the emergency situation, however, this conclusion is based on information that is currently available.
5. The company is currently very active in negotiations with banks and creditors, with the aim of refinancing a bank loan that has matured.

3. Economic performance

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

The company's turnover in the first 6 months of 2020 reached 2 458 752 EUR, which is 685.55% higher than in the first 6 months of 2019. It should be noted that this can be explained by the fact that the production and export volumes of GOS and organic products started to increase significantly from June 2019. The provision of processing services started in July 2019. The technical condition of the company's production plant is excellent, all regular equipment maintenance and calibrations have been performed. The company has sufficient working capital at its disposal to successfully continue its operations and production, as well as gradually increase production volumes. In addition, the Company is gradually making payments to reduce the tax debt to the SRS and has started to gradually reduce / restructure liabilities to other creditors.

Balance sheet value as of 30.06.2020. is EUR 7 488 855, it is by 6% less than on 31.12.2019.

The company's EBITDA in first 6 months of 2020 reached EUR 241 460. Net loss for the reporting period is EUR 140 966 EBITDA and net income can be explained by several reasons:

- 1.fixed asset depreciation costs of EUR 297 726,
- 2.estimated financing costs in the amount of EUR 124 207,

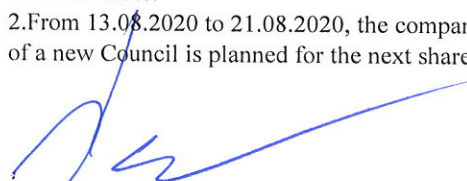
Considering the results of the first half of 2020 and market development trends, the Company's Management Board forecasts that in 2020 the Company's net turnover could range from EUR 5.0 to 5.5 million, while EBITDA (including debt restructuring) from EUR 1.6 to 2.0 million.

4. Further development of the company

1. In 2020, the Company's priority is to ensure a gradually increasing production and export of existing GOS and organic products, thus continuing to show stable, positive monthly financial results. Buyers of the products have confirmed that the volumes and prices of GOS product orders in 2020 will not be affected by the COVID-19 situation in the world.
2. An important priority for 2020 is to regain the trust of banks, continue negotiations and reach an agreement on restructuring or refinancing existing liabilities, taking into account the rapidly improving financial results over the last 12 months (2019/2020). This is necessary to be able to reach an agreement with the Company's other creditors and to allow the Company's management to focus fully on growth, thereby increasing the Company's turnover, efficiency and profitability by gradually covering its liabilities to creditors.
3. Make reasonable investments to improve production processes and gradually increase future production capacity, which will soon be needed when receiving additional GOS production orders.
4. Continue to provide processing services to other companies, using free processing capacity, thus consuming energy resources more efficiently and increasing employee productivity, gaining additional income.

5. Circumstances and events after the balance-sheet date

1. The company has completed the audit procedure for obtaining the highest quality certification and received (renewed) the FFSC 22 000 certificate.
2. From 13.08.2020 to 21.08.2020, the company's Council, consisting of three people, was released at its own request. The appointment of a new Council is planned for the next shareholders' meeting.



Kaspars Kazāks
Member of the Board

Bauska, 24 August 2020

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The management of SIA "Baltic Dairy Board" (further referred to as "the Company") is responsible for the preparation of the financial statements of the Company. The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 30 June 2020 and the results of their operations and cash flows for the year then ended. The management also confirms that the financial statements of the Company are prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Management Board confirms that the financial statements and notes to the financial statements contained on pp. 7-26 have been prepared on the basis of source documents and the decisions adopted and the assessments made were conservative and prudent. The accounting policy compared to the preceding year has not changed. The Management Board confirms that the financial statements have been prepared on a going-concern basis

The Management is responsible for keeping a proper accounting system, preservation of Company's assets, and for detection and prevention of fraud and other irregularities in the Company. The Management is also responsible for compliance with the requirements of Latvian law as well as European Union regulations applicable to the Company.



Kaspars Kazāks
Member of the Board

Bauska, 24 August 2020

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 month 2020 EUR	6 month 2019 EUR
Net sales	(1)	2 458 752	358 657
Cost of sales	(2)	(2 291 010)	(928 057)
Gross profit		167 742	(569 400)
Distribution expenses	(3)	(18 206)	(559)
Administrative expenses	(4)	(75 779)	(73 295)
Other income	(5)	132 547	46 454
Other expenses	(6)	(223 063)	(57 522)
Finance income	(8)	-	0
Finance expenses	(9)	(124 207)	(257 957)
Profit (loss) before tax		(140 966)	(912 279)
Net profit		(140 966)	(912 279)

Notes on pages 11 to 26 are an integral part of these financial statements.

Kaspars Kazāks
Member of the Board

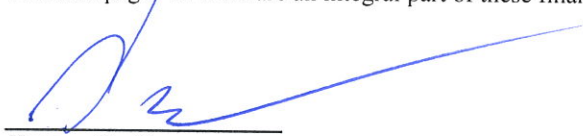
Bauska, 24 August 2020

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

STATEMENT OF FINANCIAL POSITION

		30.06.2020. EUR	31.12.2019. EUR
ASSETS	Notes		
Non-current assets			
Property, plant and equipment	(10)	7 235 424	7 533 151
Participation in the capital of another company		200	200
Ilgtermiņa ieguldījumi kopā:		7 235 624	7 533 351
Current assets			
Inventories	(11)	231 813	87 339
Trade receivables	(12)	9 496	117 788
Other current assets	(13)	11 423	17 846
Cash and cash equivalents	(14)	499	7 495
Total current assets:		253 231	230 468
Total assets		7 488 855	7 763 819
EQUITY AND LIABILITIES			
Equity			
Share capital	(15)	777 778	777 778
Share issue premium		421 557	421 557
Retained earnings:			
Retained earnings or losses		(2 715 321)	(2 794 415)
Profit or loss of the year		(140 966)	79 094
Total equity:		(1 656 952)	(1 515 986)
Liabilities			
Non-current liabilities			
Debenture loans	(17)	478 748	436 042
Deferred revenue	(18)	1 311 471	1 311 471
Total non-current liabilities:		1 790 219	1 747 513
Current liabilities			
	(16)	350 824	350 824
Deferred revenue	(18)	43 716	87 431
Finance lease liabilities	(19)	0	1 274
Factoring liabilities	(20)	24 244	24 244
Loans from credit institutions	(21)	3 508 243	3 508 243
Other borrowings	(21)	746 767	746 767
Trade payables	(22)	1 549 607	1 706 899
Current income tax payables	(23)	4 426	4 426
Advances from customers	(24)	334 634	359 099
Other liabilities	(25)	793 127	743 085
Total current liabilities:		7 355 588	7 532 292
Total liabilities:		9 145 807	9 279 805
Total equity and liabilities:		7 488 855	7 763 819

Notes on pages 11 to 26 are an integral part of these financial statements.


Kaspars Kazāks
Member of the Board


Bauska, 24 August 2020

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share issue premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2018.	777 778	421 557	(2 794 415)	(1 595 080)
Total income or losses	-	-	79 094	79 094
31.12.2019.	777 778	421 557	(2 715 321)	(1 515 986)
Total income or losses	-	-	(140 966)	(140 966)
30.06.2020.	777 778	421 557	(2 856 287)	(1 656 952)

Notes on pages 11 to 26 are an integral part of these financial statements.



Kaspars Kazāks
Member of the Board


Bauska, 24 August 2020

UNAUDITED CONDENSED FINANCIAL STATEMENTS
for the six month period ended 30 June 2020

CASH FLOW STATEMENT

	Notes	2020 EUR	2019 EUR
Cash flow from operating activities	(26)	<u>2 927</u>	<u>(49 746)</u>
Net cash flow from operating activities		<u>2 927</u>	<u>(49 746)</u>
Cash flow from financing activities			
Proceeds from borrowings			249 100
Funds received from research projects			12 704
Expenses on the borrowing repayment		(8 650)	(204 544)
Finance lease payments		<u>(1 274)</u>	<u>(3 445)</u>
Net cash flow from financing activities		<u>(9 924)</u>	<u>53 815</u>
Foreign currency fluctuations		1	(1 276)
Net increase / (decrease) in cash and cash equivalents		<u>(6 996)</u>	<u>2 793</u>
Cash and cash equivalents at the beginning of the financial year		7 495	4 702
Cash and Cash equivalents at the end of the financial year		<u>499</u>	<u>7 495</u>

Notes on pages 11 to 26 are an integral part of these financial statements.



Kaspars Kazāks
Member of the Board

Bauska, 24 August 2020

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

SIA "Baltic Dairy Board" (the "Company") was established and started to operate in 2008. Until 31 December 2015 the company was engaged in the logistics of raw milk, the wholesale of milk and dairy products in the Baltic countries and the associated export / import transactions.

From January 2016 until March 2018, the Company is primarily engaged in the production of raw milk and milk by-products. The Company produces raw material for butter, milk protein powder and whey protein production. Products are being exported to both, the European Union and the third countries. The type of operations of SIA "Baltic Dairy Board" is enhanced processing of conventional and organic raw milk and its by-products through the application of biotechnological methods.

The industrial research project titled 'Feasibility Study of Whey (Dairy By-Product) Bioconversion into Ethanol and By-Product Processing', with the total costs of the project amounting to EUR 246 000, was implemented in collaboration with Vides, Bioenergetikas and Biotehnologiju kompetences centrs SIA (Environmental, Bioenergetics and Biotechnological Competence Centre) in 2014.

As a result of the research it was decided to focus on innovative processing techniques by using deep waste-free sweet and sour whey processing and of creating products with high added value.

On 19th December 2012 the Company has signed an agreement on the acquisition of real estate property of a former milk processing company, insolvent "Bauskas piena kombināts" JSC, with the total area of 63 175 m², and the there existing building and equipment.

The Company's current financial year is from 1 January 2019 to 31 December 2019.

The Company's auditor is SIA Orients Audit & Finance.

II. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation of financial statement

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by European Union.

The accounting policy that was applied in 2019, corresponds to the accounting policy that was used for the preparation of Annual report of a year 2018.

The financial statements are prepared in accordance with IFRS evaluation criteria set out for each individual asset, liability, revenue and costs. Information on evaluation criteria is provided in the following notes.

The financial statements are given in accordance with IAS. 1 "Preparation of Financial Statements". The Company's management Income statement and Statement of comprehensive income presents together.

a) Correction of fundamental errors

In 2020, the Company discovered an error that will occur in the 2019 financial statements, this error has been corrected retrospectively. The total effect of the correction of fundamental errors is shown below.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in note (22) to accounting policies.

The separate financial statements of the Company are presented in euro (EUR) which is the functional currency of the primary business as the Company is registered in Latvia and expenses related to the primary business are in euro.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The following new and/or amended International Financial Reporting Standards or interpretations published or revised during the reporting year, which became effective for the reporting period started from 1 January 2019, have been adopted by the Company:

- **IFRS 16: Leases.** The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Other new standards and amendments did not have a material effect on the amounts recognized in previous periods and are not expected to have a material effect on the current or future financial statements.

Other new and amended IFRS and their Interpretations effective after 1 January 2020 will not have a material impact on the Company's operations and financial statements.

(2) Foreign currencies

(a) Functional and presentation currency

Items are recognized in the financial statements of the Company as measured using the currency of the primary economic environment in which the Company operates (the functional currency).

Items included in the financial statements are denominated in the official currency of the Republic of Latvia, the euro (EUR), which is the Company's reporting currency.

(b) Transactions and balances

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Exchange rates used at the year-end are as follows:

	30.06.2020. EUR	31.12.2019. EUR
1 USD	1.1189	1.1454
1 PLN	4.2567	4.3028

(3) Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(4) Income recognition

Revenue is the remuneration received for the business operating activities. Revenues are recognised based on the prices specified in the contract. The transaction price is the amount that the Company expects to receive after the transfer of control over the goods or services, excluding amounts received on behalf of the third parties (eg. value added tax). The transaction price is reduced by the discounts or other benefits granted to the buyer. Specific criteria for recognizing the Company's revenue for each type of the revenue are stated below.

The Company has no such agreement with the client that would have a payment period more than one year, therefore the Company does not make any adjustments to reflect changes in the value of money over time. In addition, payments does not have variable remuneration.

Revenue from the sales of goods is recognized when the control is transferred, ie when the Company has delivered the goods to the customer and the goods have been accepted by the customer, and it is probable that the receivable will be recovered.

Revenue from the services provided are recognized in the financial period in which the services are provided, taking into account the ratio of the total service provided to the total contract service, if applicable.

(5) Intangible assets

Intangible assets, in general, consist of licences, software and related implementation costs. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licences, software	3

Where the carrying amount of an intangible asset exceeds its recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount exceeds the fair value of the relevant intangible asset less selling or use expenses.

(6) Property, plant and equipment

According with the cost model property, plant and equipment are recognized at cost value less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the asset.

Subsequent costs are recognized in the property, plant and equipment amount or as a separate property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognized as an expense during the financial period when they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the fixed asset is put into operation or engaged in commercial activity. Each part of an item of fixed asset 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 fixed asset, it also depreciates separately.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

	Years
Buildings	10-25
Technological machinery and equipment	5-20
Other machinery and equipment	3-5

The estimated annual depreciation rates and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The decrease is reflected as the expenses.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalised during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

An item of fixed assets is derecognised when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income for the relevant period.

(7) Impairment of tangible and intangible assets

All tangible and intangible assets of the Company excluding the land have their estimated useful lives and they are amortised or depreciated. Assets that are subject to amortisation and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognised at difference between book value of the asset and its recoverable value. Recoverable value is the higher of an asset's fair value less costs to sell and its value in use. In order to determine decrease of the value, assets are classified based on the lower level of identifiable cash flows (cash-bearing units). Assets, which value has been decreased, are assessed at the end of every reporting year to identify the probable value decrease reservation.

(8) The Company as a lessee

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability.

(9) The Company as a lessor

Assets that are leased to operating leases, are disclosed in tangible assets at purchase price, less depreciation. Depreciation is calculated on the straight-line basis over the period of useful life of the appropriate tangible asset, to write off the value of tangible asset until its estimated book value at the end of the period of useful life by using the rates specified for similar tangible assets of the Company.

(10) Inventories

The inventories are stated at the lower of cost and net recoverable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realisable value. The Company regularly assesses whether the value of inventories has decreased due to storage or damage reasons. Impairment losses are recognized in the income statement.

(11) Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade and other receivables and loans. Financial assets of the Company have been classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Regular purchases and sales of financial assets are recognised on the trade-date.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the separate statement of comprehensive income under "Financial income". The EIR amortisation is included in finance income for cash and cash equivalents and in other operating income for "Other loans and receivables". The losses arising from impairment are recognised in the separate statement of profit and loss in "Other operating expense".

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

(12) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. Changes in impairment are recognised in the statement of comprehensive income.

(13) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

(14) Share capital and dividends

Shares are classified as share capital. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

(15) Provision

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 of the amount of the obligation can be made.

The Company regularly reviews current litigation to assess the need for provisions. It is taken into account the litigation's essence, claims, legal proceedings and the likelihood of the economic resources outflow, the opinions of legal advisers, as well as management's intention to respond to litigation and claims. As the estimates and assumptions are based on the expectations, they may not reflect actual results and may have a material effect on the revenue and financial result of the period.

(16) Financial liabilities**Initial recognition and measurement**

The Company's financial liabilities include trade and other payables. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus in the case of a financial liability not at fair value through profit or loss directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the separate statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate statement of profit and loss.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of financial year.

(17) Employee benefits

Short-term employee material wealth, including remuneration, social security contributions and bonuses are included in the statement of profit or loss on an accrual basis.

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

(18) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(19) Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(20) Current and deferred corporate income tax

Corporate income tax is calculated in accordance with the tax legislation that is in force at the moment of the end of the reporting period. The current legislation sets the 20% tax rate of the calculated taxable base, which is divided by a coefficient of 0.8 before the tax rate is applied. Corporate income tax calculated on the distribution of profits in dividends is presented in the income statement, but in other cases - under the other business operating expenses.

(21) Government and EU grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions related to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(22) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board, their close relatives and companies, in which they have a significant influence or control. Related parties are also the companies that have the ultimate control or significant influence.

(23) Events after the balance-sheet date

The financial statements reflect such events after the end of the reporting year that provide additional information about the Company's financial position at the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are significant.

(24) Critical accounting estimates and judgements

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgements applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the property, plant and equipment, determination of revaluating regularity, calculations and assumptions of the Management made estimating their useful lives as well as recoverable receivables and inventories as disclosed in the relevant notes.

Recoverable receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on the amount and structure of trade receivables is given in Note 32.

Determination of the useful life of property, plant and equipment

In estimating useful life of property, plant and equipment (PPE) the management relies on the historical information, technical survey, assessing the current state of the active and external evaluations. During the reporting and previous year there are no factors that indicate a need on changes of the useful life of the Company's PPE. The total carrying amount of PPE as at the end of the year is EUR 7 533 151 (31.12.2018. - EUR 8 109 575).

Valuation of inventories

In valuation of inventories the management relies on the knowledge, considering the historical experience, general information, probable assumptions and future occurrences. Determining impairment of inventories, realization probability and net selling value of the inventories shall be considered.

Allowance for doubtful trade receivables

The Company's management evaluates the carrying amount of trade receivables on individual basis and assesses their recoverability, making an allowance for doubtful trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that no significant additional allowance for doubtful trade receivables as of 31 December 2019 is required.

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for the six month period ended 30 June 2020

III. OTHER NOTES

(1) Segment Information and net sales

	6 month 2020	6 month 2019
	EUR	EUR
Other countries	2 458 752	358 657
	<u><u>2 458 752</u></u>	<u><u>358 657</u></u>

(2) Cost of sales

The purchase of goods and delivery charges	1 701 680	531 836
Transportation costs	24 258	4 018
Salary expenses	98 320	51 664
Social insurance costs	23 710	12 467
Depreciation of fixed assets	288 026	255 835
Laboratory services (milk analysis)	9 752	7 093
Production of equipment for cleaning and disinfection costs	50 198	1 322
Costs of electricity	90 414	28 933
Other costs	4 652	34 889
	<u><u>2 291 010</u></u>	<u><u>928 057</u></u>

(3) Distribution expenses

Transportation costs	18 206	368
Intermediation services commission		191
	<u><u>18 206</u></u>	<u><u>559</u></u>

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(4) Administrative expenses		6 month 2020	6 month 2019
	EUR		EUR
Salary expenses	29 836		34 658
Social insurance costs	7 196		8 349
Office expenses	3 406		1 702
Cash turnover expenses	352		311
Transportation costs	2 567		2 795
Business trip expenses	668		129
Professional services costs	430		1 270
Real estate tax	6 120		
Communication expenses	1 479		1 218
Depreciation of fixed assets	9 700		9 950
Company Certification costs	8 480		12 913
Other administrative expenses	5 545		
	75 779		73 295
(5) Other income			
Other income	88 831		
Funds received from LIAA project	43 716		33 740
Funds received from research projects			12 714
	132 547		46 454
(6) Other expenses		2020	2019
	EUR		EUR
Research expenses			993
Property maintenance, security and management costs	54 553		51 990
Representation costs	864		247
Net loss from exchange rate fluctuations	1		865
Natural resource tax	2 069		
Return of goods sold in the previous year	161 782		
Other expenses	3 794		3 427
	223 063		57 522
(7) Expenses by Nature		6 month 2020	6 month 2019
	EUR		EUR
The purchase of goods and delivery charges	1 701 680		531 836
Transportation costs	45 031		7 181
Salary expenses	128 156		86 322
Research expenses	0		993
Depreciation of fixed assets	297 726		265 785
Social insurance costs	30 906		20 816
Laboratory services (milk analysis)	9 752		7 093
Production of equipment for cleaning and disinfection costs	50 198		1 322
Costs of electricity	90 414		28 933
Company Certification costs	8 480		12 913
Property maintenance, security and management costs	54 553		51 990
Office expenses	3 406		1 702
Cash turnover expenses	352		311
Representation costs	864		247
Business trip expenses	668		129
Professional services costs	430		1 270
Sales costs	-		191
Real estate tax	6 120		
Property maintenance, security and management investment costs			
Communication expenses	1 479		1 218
Net loss from exchange rate fluctuations	1		865
Natural resource tax	2 069		0
Other expenses	13 991		38 316
	2 446 276		1 059 433

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for the six month period ended 30 June 2020

(9) Finance expenses

Interest expenses on bonds	41 049	124 311
Interest expense on limited partnership ZGI-3 loan	72 126	72 125
Interest expense on bank loans, factoring, overdraft		35 968
Finance charges on finance lease		95
Penalties paid	11 032	25 458
	124 207	257 957

(10) Fixed assets	Lands and EUR	Equipment and EUR	Other assets EUR	Assets under EUR	Advances paid for EUR	Total EUR
31.12.2018						
Initial cost	2 377 356	7 325 367	291 032	3 367	0	9 997 122
Accumulated depreciation	(302 100)	(1 413 454)	(171 993)	0	0	(1 887 547)
Net book value	2 075 256	5 911 913	119 039	3 367	0	8 109 575
2019						
Opening net book value	2 075 256	5 911 913	119 039	3 367	0	8 109 575
Acquired						0
Disposed			(40 525)			(40 525)
Reclassified from other balance sheet items						
Depreciation	(101 101)	(414 624)	(50 310)			(566 035)
Depreciation written-off			30 136			30 136
Closing book value	1 974 155	5 497 289	58 340	3 367	0	7 533 151
31.12.2019						
Initial cost	2 377 356	7 325 367	250 507	3 367	0	9 956 597
Accumulated depreciation	(403 201)	(1 828 078)	(192 167)	-	-	(2 423 446)
Net book value	1 974 155	5 497 289	58 340	3 367	0	7 533 151
2020						
Opening net book value	1 974 155	5 497 289	58 340	3 367	0	7 533 151
Disposed						0
Depreciation	(50 550)	(225 947)	(21 230)			(297 727)
Depreciation written-off						0
Net book value	1 923 605	5 271 342	37 110	3 367	-	7 235 424
30.06.2020.						
Initial cost	2 377 356	7 325 367	250 507	3 367	-	9 956 597
Accumulated depreciation	(453 751)	(2 054 025)	(213 397)	0	-	(2 721 173)
Net book value	1 923 605	5 271 342	37 110	3 367	-	7 235 424

Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 31 to the financial statements.

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for the six month period ended 30 June 2020

(11) Inventories	30.06.2020	31.12.2019
	EUR	EUR
Materials and other	8 548	8 923
Raw materials	33 997	53 948
Finished goods and goods for sale	189 268	24 468
	231 813	87 339
(12) Trade receivables		
Trade receivables in EU	9 496	117 788
	9 496	117 788
(13) Other current assets		
Advance payments for works and services	8 571	15 554
Deferred insurance expenses	572	572
Deferred media and IT service subscriptions expenses	936	936
Overpaid entrepreneurship risk duty	859	268
Caution money	298	298
	11 423	17 846
(14) Cash and cash equivalents		
Cash at bank on current accounts	499	7 495
	499	7 495

(15) Share capital

The registered and fully paid share capital amounts EUR 777 778 and consists of 777 778 lots with a nominal value of EUR 1 each. Changes in Company's share capital participants register were held: on 16th of February 2015 the share capital of the Company was increased to 100 000 EUR, on 22 April 2015 to 700 000 EUR and on 23 July 2015 to 777 778 EUR. The main reasons for the share capital increase were investments from Ilona Kazāka and Kaspars Kazāks in proportion to their number of shares in share capital, new participants/investors, and as a result the Company's share capital was increased and the Company's structure of participants in Equity has been changed. As of 31.12.2015 the register of equity participants is following: Kaspars Kazāks -51%, Ilona Kazāka - 20%, limited partnership "ZGI -3" – 10%, Sergey Regukh – 9,5% and Anastasia Regukh - 9,5%. All the shares are fully paid. All the shares give equal rights to receive dividends, liquidation quota and voting rights at shareholders' meetings.

(16) Provision	30.06.2020	31.12.2019
	EUR	EUR
Provision for expected costs, according to the court decision	350 824	350 824
Total	350 824	350 824

On February 24, 2020, three decisions of the Zemgale District Court satisfied the claims of Luminor Banka AS against the Company, for undisputed compulsory performance of obligations, for outstanding loan agreements No.2014-48-A, No.2015-70-A and overdraft agreement No. .2015-26-OD-R basic amount, interest on loans and penalties for late payment. Based on these court decisions, the Company established a provision for expected costs for default penalties totaling EUR 350 824.

(17) Debenture loans (long-term)

	The effective interest rate, %	Maturity of liabilities term	30.06.2020	31.12.2019
			EUR	EUR
Bonds nominal value	18	28.10.2024	478 748	436 042
			478 748	436 042

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In October 28, 2014 the Company registered a bond issue of 950 000 EUR in the Latvian Central Depository. A bond issue is carried out in order to attract additional capital to finance the development plan of the Issuer (to start a production of whey protein concentrate), as well as to increase the awareness in the regulated capital market and among the institutional investors. It was issued 950 bonds with a nominal value of 1 000 EUR each, with a fixed interest rate of 18% per annum. Coupon payments are made semi-annually - on October 28 and April 28. Bond maturity is October 28, 2024. The bond issue is not secured. On November 12, 2015 the Company has included these bonds on Nasdaq Baltic Bond list, where they are available for public trading. On 23 March 2016 the Board of Directors decided not to pay the coupon payments of 28 April 85500 EUR., but to increase the nominal value of one bond to 1090 EUR. JSC "Latvijas Centrālais depozitārijs" based on the Company's application on April 28, 2016 decided to record changes in the characteristics of the bonds issued by changing the nominal value of the bonds from 1000 EUR to 1090 EUR.

On 23 March 2017 the Board of Directors decided not to pay the coupon payments of 28 April 85500 EUR., but to increase the nominal value of one bond to 1188.10 EUR. JSC "Latvijas Centrālais depozitārijs" based on the Company's application on April 28, 2017 decided to record changes in the characteristics of the bonds issued by changing the nominal value of the bonds from 1090 EUR to 1188.10 EUR. On 5 April 2018, the Board of the Company decided not to pay the coupon payment of 28 April, but to increase the nominal value of one bond from 1188.10 EUR to EUR 1295.03. On October 9, 2018, the Board of the Company decided not to pay the 28 th October coupon payment, but to increase the nominal value of one bond. On 28 October 2018, the Latvian Central Depository decided, on the basis of a submission from the Company, to register changes in the characteristics of the bonds issued, changing the nominal value of the bonds from 1295.03 to EUR 1411.58.

On April 10, 2019, the Management Board of the Company decided not to pay the April 28 coupon payment, but to increase the nominal value of one bond from EUR 1295.03 to EUR 1538.62. On October 2, 2019, the Board of the Company decided not to pay the October 28 coupon payment, but to increase the nominal value of one bond. On October 28, 2019, JSC "Latvijas Centrālais depozitārijs", based on the Company's application, made a decision to register changes in the characteristics of the issued bonds, changing the nominal value of the bonds from 1538.62 to 1677.10 EUR. On December 20, 2019, in accordance with the agreement No. 20122019 / OBL - one of the bondholders waived the claim for 690 bonds in the amount of EUR 1,157,199.00 and the accumulated coupon payment in the amount of EUR 30,087.17. 690 bonds will be transferred to the financial instruments account of SIA "Baltic Dairy Board" by 31.12.2020.

(18) Deferred revenue	30.06.2020	31.12.2019
	EUR	EUR
Long-term part	1 311 471	1 311 471
Short-term part	43 716	87 431
Total	1 355 187	1 398 902

On September 11, 2014 the Company signed an agreement with the Latvian Investment and Development Agency in connection with a project titled "Procurement of Innovative Equipment for Deep Processing of Whey". Implementation of the project was started on September 11, 2014 and completion of the project was on August, 2015. In the item "deferred income" is reflected the support payment received, which constitutes 100% of the aid funding.

(19) Finance lease liabilities	30.06.2020	31.12.2019
Current		
Liabilities according to the finance lease agreements, payable within 1 year	-	1 274
	-	1 274

During the reporting year, the Company terminated the lease agreement by returning the car to the leasing company.

The carrying value of borrowings does not materially differ from their fair value

	30.06.2020	31.12.2019
	EUR	EUR
At beginning of the year	1 274	8 152
Repaid finance lease obligations during the year	(1 274)	(6 878)
At the end of the year	-	1 274

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(20) Advances received for factoring invoices	30.06.2020	31.12.2019
	EUR	EUR
Payments received for factoring invoices	24 244	24 244
	24 244	24 244

In 2016, the Company signed a factoring contract No.1/2016 with Factor "SIA Nordea Finace Latvia" on factoring with limit EUR 600 000. Added rate 3.2% + base rate for EUR currency EONIA. Factoring advance payment-amount paid by the Factor to the Company after invoice acceptance is 90% from each accepted invoice. Factoring reserve - 10% is paid to the Company by the Factor within 3 days from the receipt of the full invoice amount from the Buyer, then the Company erases the Buyer's (debtor's) debt in full. Maximum invoice payment term is 90 days. On 31.12.2017, under Amendment No. 15, 11.12.2017 factoring agreement is in force for 16 buyers of the Company. In accordance with Amendment Nr.14 factoring limit is EUR 300 000. The contract is valid until february 28, 2018. Received factoring advance payment on 31.12.2018 amounts EUR 23 536 (On 31.12.2017 EUR 132 382). In 2019, before the date of anual report signing, the contract has not been extended.

(21) Borrowings	30.06.2020	31.12.2019
	EUR	EUR
Current		
Luminor Bank AS *	a) 3 108 243	3 108 243
Luminor Bank AS - overdraft	b) 400 000	400 000
	3 508 243	3 508 243
Other borrowings (KS "ZGI-3")	c) 746 767	746 767
	746 767	746 767
Total borrowings	4 255 010	4 255 010

a) Luminor Bank AS loan agreements

In 2015 the Company signed a loan agreement Nr.2015-70-A with Nordea Bank AB Latvian branch on the total amount of EUR 700 000. The loan is intended for the purchase of production equipment. The loan annual interest rate is 3.4% and plus the 3-month EURIBOR. On 11.09.2015, amends were made to the contract by establishing the loan annual interest rate of 5.3% plus the 3-month EURIBOR .The loan maturity is 31.03.2018. On 31.12.2018 outstanding loan amount - EUR 626 339 (31.12.2017.- 615 607). In the agreement stated financial indicators at the Report preparation date were not met. In case whether financial indicators are not met, a bank has the right once a year to increase the additional interest rate, but not more than 1%. In 2018, the contract has been extended untill 15.05.2018. The loan has not been repaid on the date of signing of the financial report.

In 2014 the Company signed a loan agreement Nr.2014-48-A with Nordea Bank AB Latvian branch on the total amount of EUR 3 065 000. In 2015 the amendments for the agreement were signed for an additional loan amount of EUR 1 680 000 for the project implementation. The loan annual interest rate is 6% and plus the 3-month EURIBOR. The loan maturity is 28.02.2019. On 31.12.2019 the outstanding loan amount - EUR 2 481 903 (31.12.2018.- EUR 2 537 676). The loan has not been repaid on the date of signing of the financial report.

Pledges are registered in the Register of commercial pledges of the Enterprise Register of the Republic of Latvia. Information about security see in Note 31.

b) Borrowing from the ZGI 3 (limited partnership)

In 2015 the Company signed a loan agreement with the limited partnership "ZGI-3" alternative investment fund on the total amount of EUR 500 665. The loan has been issued for investments in fixed assets. The loan maturity is 10.07.2020. The loan annual interest rate is 15%. On 31.12.2015 the outstanding loan amount was EUR 500 665. On 01.08.2016 amendments No. 2 were made to the contract on loan annual interest rate change to 19% per annum. 30.12.2016. On 30.12.2016 amendments No. 3 were made to the contract that the calculated but unpaid interest on 31.12.2016 in the amount of EUR 125 481 were capitalized, as a result the outstanding loan amount on 31.12.2016 was EUR 626 146. On 30.12.2017 amendments No. 4 were made to the contract, so the calculated but unpaid interest on 31.12.2017 in the amount of EUR 120 621 were capitalized, as a result the outstanding loan amount on 31.12.2019 is EUR 746 767.

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c) *Luminor Bank AS overdraft*

In 2015 the Company signed an overdraft agreement with Nordea Bank AB Latvian branch for the total overdraft limit of EUR 200 000. The maturity is 28.02.2017. In 2017 the additional agreement to Overdraft contract was signed about the Overdraft amount increase for EUR 400 000 and maturity was 28.02.2018. Later, the date of repayment has been extended to 15.05.2018. The loan has not been repaid on the date of signing of the annual report.

* On February 24, 2020, three decisions of the Zemgale District Court satisfied the claims of Luminor Banka AS against the Company. Notes (16).

(22) Trade payables	30.06.2020	31.12.2019
	EUR	EUR
Debts to farmers for milk - Latvia	452 571	570 011
Debts to other suppliers for goods and services	1 097 036	1 136 888
	1 549 607	1 706 899
(23) Corporate income tax liabilities	30.06.2020	31.12.2019
	EUR	EUR
Corporate income tax	4 426	4 426
	4 426	4 426
(24) Advances from customers	30.06.2020	31.12.2019
	EUR	EUR
Advances from customers	334 634	359 099
	334 634	359 099
(25) Other liabilities	30.06.2020	31.12.2019
	EUR	EUR
Accrued liabilities for services	13 899	11 705
Accrued liabilities for interest on bonds	12 921	14 581
Accrued unused for interest on borrowings	383 837	311 712
Accrued unused annual leave expenses	38 588	38 587
Salaries	20 132	16 852
VAT	22 521	58 485
Personal income tax	100 324	61 529
Social insurance tax	68 157	82 210
Natural resource tax	54	5 254
Settlement of debts to staff	-	826
Borrowings from co-owner*	14 990	23 640
Loan from legal person	117 704	117 704
	793 127	743 085

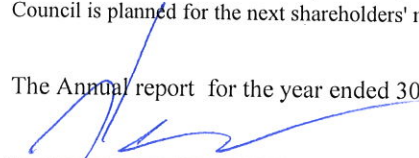
*In 2018 the Company received a loan from the co-owner with a maturity 31.12.2019. Interest-free loan, without security. Interest-free,

(26) Cash granted from operations	30.06.2020	31.12.2019
	EUR	EUR
Cash flow from operating activities		
Income from sales of goods and services	1 528 351	1 275 324
Payments to suppliers, employees, other operating expenses	(1 525 424)	(1 325 070)
Gross cash flow from operating activities	2 927	(49 746)
(27) Average number of employees		
Average number of people employed during the financial year	16	13

(28) Subsequent events

1. The company has completed the audit procedure for obtaining the highest quality certification and received (renewed) the FFSC 22 000 certificate.
2. From 13.08.2020 to 21.08.2020, the company's Council, consisting of three people, was released at its own request. The appointment of a new Council is planned for the next shareholders' meeting.

The Annual report for the year ended 30 June 2020 on pages 1 to 26 confirm:



Kaspars Kazāks
Member of the Board

Bauska, 24 August 2020