

Riga, 20th of May, 2019

CrossChem Ltd

Annual report for year 01.01.2018 - 31.12.2018
and an Independent Auditors' Report

Corresponding period:	01.01.2018 - 31.12.2018
Place:	Riga
Date:	20th of May, 2019

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COMPANY INFORMATION

Name of the Company	CrossChem Ltd		
Legal status of the Company	Limited liability company		
Registration No., place and date	LV40003888244, Riga, 11.01.2007.g.		
Registered office	"Naftaluka", Olaines pagasts, Olaines novads, LV-2127		
Major shareholders	Andersone Irina - 100%		
Members of the Board	Ričards Andersons	–	Chairman of the Board
Annual report drawn up by	Ingūna Kivleniece	–	Full name of position
Reporting year	from 01.01.2018	to	31.12.2018
Information on group's subsidiary	CrossChem Ltd		
Type of company's activity			
NACE classification code			
Auditors	Sindikis SIA Brivibas str. 85-5 Riga, LV - 1001 License No. 100		Certified Auditor Silvija Gulbe Certificate No. 142

MANAGEMENT REPORT

Type of activity

SIA „CrossChem” (hereinafter referred to as the Company) produce, storage, transport and sells (as well as imported) products related to chemical category products. The company also provides a range of services related to quality control and delivery of these chemicals.

Brief description of the Company's operations in the reporting year and financial position

The Company's revenue in 2018 is 10791874 EUR. Compared to 2017, revenue has increased by 2446188 or 29.3%. This was achieved by attracting new customers to existing products and increasing sales of imported chemicals. The amount of the Company's equity as at 31 December 2018 is EUR 1023467. Compared to the previous year, it has increased by 13758 EUR. The Company is financially stable and able to cover its current payments, as well as to ensure the execution of the investment plan. This is reflected in the total liquidity ratio (current assets / short-term liabilities) of 1.03 which is within the normal range. The total amount of fixed assets has increased, reaching EUR 971842 in 2018. Financial resources have been invested in the restoration of fixed assets, modernization, acquisition, intangible investments and construction of new objects.

Future prospects and future development

The Company will continue to develop and expand the range of products offered and produced in the coming years, as well as provide efficient, safe and quality services. The main strategic goals are:

1. Further develop the new production warehouse project.
2. Expand the range of products offered to customers.
3. Expand the geography and sales volume of goods. An important task is to ensure the Company's stable growth and development, ensuring the well-being of its employees and its ability to work for a single purpose. The main tasks of long-term development are:

A. Improve the computerized enterprise management system.

B. Enhance the delivery channels for customers.

C. Expand the range of products produced and offered. Investment policy focuses on long-term business development and competitiveness. An important risk that may affect the Company's performance is the rise in raw material prices and the EUR / USD exchange rate fluctuations. In order to minimize the impact of these risks, the Company intends to develop new and strengthen existing relationships with suppliers and promote trade with customers in the above currencies.

The risks that the Company might face in the next operating period will be increased competition in international markets, so there will be a lot of emphasis on individual customer visits and closer cooperation with clients. Increasing attention will be paid to the optimization of cash flow by making maximum use of own funds that remain at the disposal of the Company and by timely raising additional funds in accordance with the Company's objectives. The company will continue to develop and maintain its image and role, to take an active position in current issues of industry development.

Financial risk management

The Company's financial assets consist mainly of trade receivables denominated in euro and demand deposits with credit institutions. The major part of financial liabilities is made up of debts to suppliers for goods and services. The funds are mainly placed in well-known Latvian financial institutions. The main financial creditor of the Company is the Latvian credit institution AS "Swedbank", which credits the company's long-term and short-term financial transactions. As a result, the company is exposed to the risk of changes in interest rates, which may have a significant impact on its performance. The other largest creditor of the Company is Crosschem International, a related company. The following policy has been developed in the company to deal with debts: up to 30 calendar days late payment with direct managers, over 30 calendar days debt collection is transferred to the company's lawyer, who has 99% debt recovery experience. In addition, the Company works with Swedbank factoring. As factoring clients are insured, in any case, the company receives 95% of the debt. With two major customers -

CrossChem Estonia and CrossChem Australia, there is intense collaboration in product distribution, investing large funds that are expected to be recovered in 2019. There is no significant difference between the carrying amount of financial assets and liabilities and their fair value. In the reporting year, the Company did not use derivative financial instruments.

INCOME STATEMENT
(classified per function of expenditure)

	Note number	2018 EUR	2017 EUR
Net turnover:	2	10 791 874	8 345 686
a) from agricultural activities,			-
b) from other main activity types.		10 791 874	8 345 686
Production cost of goods sold, acquisition cost of goods sold or services provided	3	(9 854 328)	(7 280 176)
Gross profit or loss		937 546	1 065 510
Selling expenses	4	(494 660)	(282 038)
Administrative expenses	5	(203 218)	(192 407)
Other operating income	6	244 460	71 645
Other operating expenses	7	(229 998)	(64 345)
Other interest and similar income:		172	17 290
a) from subsidiary companies,		172	15 475
b) from other persons.		-	1 815
Interest payments and similar expenses:		(107 640)	(117 611)
b) to other persons.		(107 640)	(117 611)
Profit or loss before the corporate income tax		146 662	498 044
Corporate income tax for the reporting year		(1 202)	(74 375)
Profit or loss after calculating the corporate income tax		145 460	423 669
Profit or loss of the reporting year		145 460	423 669

Notes on pages 10 to 22 form are integral part of these financial statements.

Ričards Andersons
(Chairman of the Board)

signature

20th of May, 2019

Annual report drawn up by:

Ingūna Kivleniece
(Full name of position)

signature

BALANCE SHEET

ASSETS	Note number	31.12.2018 EUR	31.12.2017 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licences, trademarks and similar rights		39 255	2 110
Advance payments for intangible assets		-	25 000
Total intangible assets	8	39 255	27 110
Fixed assets			
Real estate:		229 204	229 204
a) land, buildings and structures,		229 204	229 204
Animals and plants:		285	285
a) working or productive animals and long-term plantings,		285	285
Long-term investment in leased fixed assets		97 033	-
Technology devices and equipment		105 546	30 075
Other fixed assets and inventory		234 722	209 879
Expense of tangible assets and construction in progress		305 052	280 944
Total fixed assets	9	971 842	750 387
Long-term financial investments			
Shareholding in the capital of subsidiary companies	10	10 840	10 840
Loans to subsidiary companies	11	79 640	61 240
Other loans and long-term receivables	12	65 000	175 109
Total long-term financial investments		155 480	247 189
Total long-term investments		1 166 577	1 024 686
Current assets			
Inventories			
Raw materials, direct materials and auxiliary materials		1 449 947	1 103 574
Finished products and goods for sale		9 798	7 854
Advance payments for inventories		57 985	36 938
Total inventories		1 517 730	1 148 366
Receivables			
Trade receivables	13	1 020 883	951 635
Amounts owed by related companies	11	396 484	221 998
Other receivables	14	51 532	48 803
Prepaid expenses		17 370	16 817
Accrued income		-	704
Total receivables		1 486 269	1 239 957
Cash and cash equivalents		5 006	41 988
Total current assets		3 009 005	2 430 311
TOTAL ASSETS		4 175 582	3 454 997

BALANCE SHEET

LIABILITIES	Note number	31.12.2018 EUR	31.12.2017 EUR
Equity capital			
Share capital (equity capital)	15	140 400	140 400
Reserves:		14	14
f) other reserves		14	14
Retained earnings or uncovered losses of previous years		589 295	445 626
Profit or loss of the reporting year		145 460	423 669
Total equity capital		875 169	1 009 709
Provisions			
Other provisions	16	26 796	30 000
Total accruals		26 796	30 000
Creditors			
Long-term liabilities			
Other borrowings	18	835 859	72 873
Total long-term liabilities		835 859	72 873
Short-term liabilities			
Borrowings from credit institutions	17	218 621	58 808
Other borrowings	18	11 461	661 392
Advance payments from customers	0	237 817	640 917
Trade payables	0	1 586 042	727 322
Amounts owed to associated companies	19	24 043	-
Taxes and mandatory state social insurance contributions	20	108 664	34 368
Other liabilities	26	181 761	82 624
Accrued liabilities	23	69 349	136 984
Total short-term liabilities		2 437 758	2 342 415
Total liabilities		3 273 617	2 415 288
TOTAL LIABILITIES		4 175 582	3 454 997

Notes on pages 10 to 22 form are integral part of these financial statements.

Ričards Andersons
(Chairman of the Board)

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(Full name of position)

signature

(2) Net turnover:

Net turnover - proceeds from company's major activity - rendering of services without value added tax.

Type of activity	NACE code	2018	2017
		EUR	EUR
Income (NACE 2059)		10 791 874	8 345 686
Total	X	10 791 874	8 345 686

(3) Production cost of goods sold, acquisition cost of goods sold or services provided

	2018	2017
	EUR	EUR
Costs of purchased raw materials	7 757 142	5 703 614
Cost of goods purchased	1 413 344	987 563
Staff costs	183 728	280 926
Expenses B	118 592	33 951
	381 522	274 122
Total	9 854 328	7 280 176

(4) Selling expenses

	2018	2017
	EUR	EUR
Personnel expenses	366 538	169 739
Transportation costs	54 127	33 955
Advertising expenses	52 190	54 390
Other selling expenses	21 805	23 954
Total	494 660	282 038

(5) Administrative expenses

	2018	2017
	EUR	EUR
Personnel expenses	152 573	98 249
Other administration expenses	50 645	94 158
Total	203 218	192 407

(6) Other operating income

	2018	2017
	EUR	EUR
Received fines and penalties	181 840	-
Foreign currency fluctuations	5 610	1 774
Income from vacation reserve	-	22 956
Proceeds from the workshops	-	860
Other income	57 010	46 055
Total	244 460	71 645

(7) Other operating expenses

	2018	2017
	EUR	EUR
Bank service expenses	13 435	8 498
Loss from disposal and sale of fixed assets (see xx Annex)	10 930	-
Loss from exchange rate fluctuations	246	15 291
Provisions for bad and doubtful debts	-	27 458
Other expenses	176 931	13 098
Expenses C	28 456	-
Total	229 998	64 345

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

Long-term investment object	Balance value at the moment of exclusion	Alienation income	Alienation expenses	Gross income or profit	Profit or loss from the object's alienation
	EUR	EUR	EUR	EUR	EUR
AM Smart ForTwo,JE9909	5 529	4 132	-	4 132	(1 396)
Pusautomātiskā kannu pildīšanas iekārta	-	9 280	-	9 280	9 280
Total	5 529.00	13 412.00	-	13 412	7 884

(8) Intangible assets

		Research and development costs	Concessions, patents, licenses, trade marks and similar rights	Advances for intangible assets	Total intangible assets
		EUR	EUR	EUR	EUR
Acquisition value	01.01.2018	-	11 834	25 000	36 834
Additions		-	15 816	-	15 816
Reclassified		-	25 000	(25 000)	-
Acquisition value	31.12.2018	-	52 650	-	52 650
Accumulated amortization	01.01.2018	-	9 724	-	9 724
Amortization charge		-	3 671	-	3 671
Accumulated amortization	31.12.2018	-	13 395	-	13 395
Net book value	01.01.2018	-	2 110	25 000	27 110
Net book value	31.12.2018	-	39 255	-	39 255

(9) Fixed assets

		Real estate	Animals and plants	Investments in leasehold improvements	Long-term investments in fixed assets of the public partner	Machinery and equipment	Other fixed assets and inventory	Fixed assets under construction	Advances for fixed assets	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition value	01.01.2018	229 204	285	-	-	220 779	337 744	280 944	-	1 068 956
Additions		-	-	97 033	-	101 276	107 031	459 549	-	764 889
Disposal		-	-	-	-	(20 000)	(7 214)	-	-	(27 214)
Acquisition value	31.12.2018	229 204	285	97 033	-	143 497	377 308	305 052	-	1 152 379
Accumulated depreciation	01.01.2018	-	-	-	-	190 704	127 865	-	-	318 569
Depreciation charge		-	-	-	-	7 305	50 797	-	-	58 102
Amortization of intangible assets that have been liquidated or reclassified		-	-	-	-	(160 058)	(36 076)	-	-	(196 134)
Accumulated depreciation	31.12.2018	-	-	-	-	37 951	142 586	-	-	180 537
Net book value	01.01.2018	229 204	285	-	-	30 075	209 879	280 944	-	750 387
Net book value	31.12.2018	229 204	285	97 033	-	105 546	234 722	305 052	-	971 842

On 31 December 2018, the accounting sum in the category of fixed assets "Other fixed assets" include machine 65124 EUR, which have been purchased in financial lease.

On 31 December 2018, the cadastral value of the land owned by the Company is 207748 EUR.
The cadastral value of the Company's building on 31 December 2018 is 11587 EUR.

(10) Shareholding in the capital of subsidiary companies

	31.12.2018	31.12.2017
	EUR	EUR
Acquisition value at the beginning of the reporting year	10 840	10 840
Investments in the beginning of period	10 840	10 840
Acquisition value at the end of the reporting period	10 840	10 840
Investments in the beginning of period	10 840	10 840

Company name

	Owned shares, %	Acquisition value	Investment book value	Profit or loss	Subsidiary company's equity value on 31.12.2018
SIA CrossChem Latvija	100	2 840	2 840	2 840	(51 918)
SIA CrossCity Lidosta	100	3 000	3 000	3 000	(1 174)
OU CrossChem Estonia	51	5 000	5 000	5 000	(141 517)
	X	10 840	10 840	Kļūda!	(194 609)

(11) Loans to subsidiary companies

	Sum	the reporting period	31.12.2018	31.12.2017
	EUR	EUR	EUR	EUR
Long-term loans				
SIA CrossChem Latvija	-	-	78 440	61 240
SIA CrossChem Lidosta	-	-	1 200	-
Total long term loans	-	-	79 640	61 240

	Sum	the reporting period	31.12.2018	31.12.2017
	EUR	EUR	EUR	EUR
Short term liabilities				
CrossChem Latvija SIA	-	-	25 695	41 000
CrossChem Estonia OU	-	-	370 789	180 998
Total short term liabilities	-	-	396 484	221 998

(12) Other loans and long-term receivables

	31.12.2018	31.12.2017
	EUR	EUR
Loans, that are received more than five years since the end of corresponding year	-	175 109
Other loans	65 000	-
Total	65 000	175 109

(13) Trade receivables

	31.12.2018	31.12.2017
	EUR	EUR
Trade receivables carrying amount	1 020 883	951 635
Total	1 020 883	951 635

(14) Other receivables

	31.12.2018	31.12.2017
	EUR	EUR
Corporate income tax advance payment	28 168	-
Tax overpayment	15 948	45 018
Other receivables	7 416	3 785
Total	51 532	48 803

(15) Share capital (equity capital)

On 31 December 2018, the share capital has been fully paid. It consists of 117 shares with the nominal value of 1200 EUR.

(16) Other provisions

	31.12.2018	31.12.2017
	EUR	EUR
Provisions for inventory	26 796	30 000
Total	26 796	30 000

(17) Borrowings from credit institutions

	% rate	Date of payment	31.12.2018	31.12.2017
			EUR	EUR
Short-term borrowings				
AS Swedbank	5.2% +6 mēn	23.06.2019.	218 621	58 808
Total	X	X	218 621	58 808

(18) Other borrowings

	% rate	Date of	31.12.2018	31.12.2018	31.12.2017
			Currency	EUR	EUR
Long-term borrowings (from 1 to 5 years)					
CrossChem International SIA	-	-	-	813 164	72 873
Swedbank līzings EUR	-	-	-	22 695	-
Total long-term borrowings	X	X	X	835 859	72 873

Guarantee

	% rate	Date of	31.12.2018	31.12.2018	31.12.2017
		payment	Currency	EUR	EUR
Short-term borrowings					
CrossChem International SIA	-	-	-	-	661 392
Swedbank līzings EUR	-	-	-	11 461	-
Total	X	X	X	11 461	661 392

(19) Amounts owed to associated companies

	31.12.2018	31.12.2017
	EUR	EUR
Short-term liabilities		
EUR	24 043	-
Total short-term liabilities	24 043	-

(20) Taxes and mandatory state social insurance contributions

	31.12.2018	31.12.2017
	EUR	EUR
Natural resources tax	79 127	-
Social contributions	17 888	14 325
Personal income tax	9 295	7 682
Company Car Tax		2 457
Corporate income tax	-	9 904
Total	106 310	34 368

(26) Other liabilities

	31.12.2018	31.12.2017
	EUR	EUR
Short-term other creditors		
Salary	32 456	25 602
Payments to customers for incorrect amounts	4 079	5 866
Payments for stands	13 520	5 998
Payments with clients for the previous period expenses	131 706	45 158
Total short-term other creditors	181 761	82 624

(23) Accrued liabilities

	31.12.2018	31.12.2017
	EUR	EUR
Payments to creditors for accrued liabilities	16 996	76 086
Provisions for unused vacation	52 353	60 898
Total	69 349	136 984

(34) Average number of employees

	2018	2017
Average number of employees	31	14

(37) Information on issued guarantees, warranties, and other possible liabilities and pledged assets**(38) Information on lease and rent agreements, that have important influence on company's activity****(48) Financial risk management**

The Company's financial assets consist mainly of trade receivables denominated in euro and demand deposits with credit institutions. The major part of financial liabilities is made up of debts to suppliers for goods and services. The funds are mainly placed in well-known Latvian financial institutions. The main financial creditor of the Company is the Latvian credit institution AS "Swedbank", which credits the company's long-term and short-term financial transactions. As a result, the company is exposed to the risk of changes in interest rates, which may have a significant impact on its performance. The other largest creditor of the Company is Crosschem International, a related company. The following policy has been developed in the company to deal with debts: up to 30 calendar days late payment with direct managers, over 30 calendar days debt collection is transferred to the company's lawyer, who has 99% debt recovery experience. In addition, the Company

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