

Riga, March 17, 2021

**CrossChem SIA**  
Annual report for year 01.01.2020 - 31.12.2020  
and an Independent Auditors' Report

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**COMPANY INFORMATION**

Name of the Company	CrossChem SIA		
Legal status of the Company	Limited liability company		
Registration No., place and date	LV4000388244, Riga, 11.01.2007.g.		
Registered office	"Naftaluka", Olaines pagasts, Olaines novads, LV-2127		
Major shareholders	SIA CrossChem International - 100%		
Members of the Board	Ričards Andersons	–	Board member
Annual report drawn up by	Ieva Grase	–	Chief Accountant
Reporting year	from	01.01.2020	to 31.12.2020
Information on group's subsidiary	SIA CrossChem Estonia - 51% SIA CrossChem Agro - 50% SIA CrossChem International - 100%		
Type of company's activity	Manufacture of other chemical products		
NACE classification code	2059		
Auditors	SIA Grant Thornton Baltic Audit Brivibas str. 85-5 Riga, LV - 1001 License No. 183		Certified Auditor Silvija Gulbe Certificate No. 142

## **MANAGEMENT REPORT**

### **Type of activity**

Limited liability company „CrossChem” (hereinafter in the text – the Company) produces and also sells imported chemical products and the additional products related to their use, storage and transporting. The company also provides series of services related to verification of the quality and delivery of these chemical products.

### **Performance and Financial Situation of the Company**

In 2020 the income of the Company was EUR 15 525 875. Compared to 2019 the income has increased by EUR 3 207 717 or 26%. This was achieved by involving new clients for the existing products and increasing the sales of imported chemical products and production facilities. The equity of the Company as of December 31, 2020 is EUR 2 486 890. Compared to the previous year, it has increased due to increased fixed capital of the Company, a long-term investment revaluation reserve has been established, and the year has ended with a profit. The Company is financially stable and able to meet its regular payments, as well as ensure implementation of the investment plan. This is reflected in the total liquidity ratio (current assets/short-term liabilities) of 1.33. The total amount of the fixed assets has increased, amounting to EUR 1 544 957 in 2020. The financial resources were invested in renewal, modernization, purchase of fixed assets and non-tangible investments.

### **Future Development Plans**

The Company will continue to develop and expand the range of products offered and manufactured in the coming years, as well as provide efficient, safe and high-quality services.

The main strategic objectives are:

1. To continue development of the new production warehouse project.
  2. To expand the range of products offered to the clients.
  3. To expand the geography and scope of product sales. An important task is to ensure stable growth and development of the Company by ensuring welfare of the personnel and abilities to work towards a common goal.
- The main tasks of the long-term development are:

- A. To improve digital corporate management system.
- B. To improve efficiency of the channels used for delivery of products to the clients.
- C. To expand the range of products produced and offered. Investment policy focuses and will focus on the long-term development and competitiveness of the Company. Significant risks that may affect the Company's results of operations include rising raw material prices, EUR / USD exchange rate fluctuations and COVID-19. In order to reduce the impact of these risks, the Company intends to establish new and strengthen the existing relationships with suppliers and will facilitate trade with buyers in the above currencies. Risks that the Company may face in the next operating period are increased competition in international markets, therefore great emphasis will be placed on individual customer visits and closer cooperation with customers. Increasing attention will be paid to the optimization of cash flow by maximizing the use of own funds remaining at the disposal of the Company and attracting additional funds in a timely manner in accordance with the Company's objectives. Received a Loan from Development Financial Institution Altum – for current assets to be used for mitigation of Covid-19 effect and LIAA support for Covid-19 crisis-affected exporters of goods and services to overcome the crisis – for compensation of salaries. The Company will continue to build and maintain its image and role, to take an active position on the current issues of industry development.



### Research and Development Measures

The financial assets of the Company are mostly comprised by the receivables denominated in euro, as well as demand deposits in credit institutions. Majority of financial obligations are comprised by debts to suppliers for products and services. Cash is mostly placed in well-known Latvian financial institutions. The main financial creditor of the Company is the Latvian credit institution ALTUM, which granted the loan for current assets to mitigate the COVID-19 effect. Therefore, the Company is subject to the risk of interest rate changes, and this may have significant effect on its operating results. The second largest creditor of the Company is Crosschem International, which is the parent company since 21.12.2020. The Company has developed the following policy to address receivables issues: direct managers work with clients for up to 30 calendar days of late payment, after exceeding 30 calendar days of debt, its recovery is transferred to the Company lawyer, who, according to experience, ensures 99% debt recovery. Besides, the Company is cooperating with SIA Factris LV1 factoring. Since factoring customers are insured, then in any case the Company will recover 90% of the debt amount. There is no significant difference between the carrying amount of financial assets and liabilities and their fair value. During the reporting year, the Company did not use derivative financial instruments. Taking into account the situation in the country and in the world with the spread of Covid-19 virus, our company experienced financial difficulties in the first half of 2020: 1. The demand for our products declined, the delivery and transport prices for procurement of raw materials increased, late payment by the customers for the products delivered by us has been observed; 2. The employees are arranging for sick leaves at the slightest suspicion of sickness or to look after their children while they are not attending school and / or pre-school education institutions; 3. The prices of raw materials required for production experienced sharp increase and their availability is very limited; 4. Exporting customers cancelled almost 100% of the previously made orders. All above factors and their simultaneous effect causes risks for uninterrupted continued economic operation and total liquidity of the company.

Ričards Andersons  
(Board member)



signature

March 17, 2021

**INCOME STATEMENT**  
 (classified per function of expenditure)

	Note number	2020 EUR	2019 EUR
Net turnover:	2	15 525 875	12 318 158
b) from other main activity types.		15 525 875	12 318 158
Production cost of goods sold, acquisition cost of goods sold or services provided	3	(13 574 236)	(11 147 707)
<b>Gross profit or loss</b>		<b>1 951 639</b>	<b>1 170 451</b>
Selling expenses	4	(803 204)	(867 243)
Administrative expenses	5	(286 124)	(259 750)
Other operating income	6	88 792	123 521
Other operating expenses	7	(80 625)	(86 803)
Other interest and similar income:		937	-
a) from subsidiary companies,		937	-
Interest payments and similar expenses:		(167 211)	(130 630)
b) to other persons.		(167 211)	(130 630)
<b>Profit or loss before the corporate income tax</b>		<b>704 204</b>	<b>(50 454)</b>
Corporate income tax for the reporting year		(11 391)	(9 747)
<b>Profit or loss of the reporting year</b>		<b>692 813</b>	<b>(60 201)</b>

Notes on pages 11 to 23 form are integral part of these financial statements.

Ričards Andersons  
 (Board member)



*signature*

March 17, 2021

**Annual report drawn up by:**

Ieva Grase  
 (Chief Accountant)



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**BALANCE SHEET**

<b>ASSETS</b>	Note number	<b>31.12.2020</b> EUR	<b>31.12.2019</b> EUR
<b>Long-term investments</b>			
<b>Intangible assets</b>			
Concessions, patents, licences, trademarks and similar rights		221 696	60 970
<b>Total intangible assets</b>	8	<b>221 696</b>	<b>60 970</b>
<b>Fixed assets</b>			
Real estate:		229 204	229 204
a) land, buildings and structures,		229 204	229 204
Animals and plants:		-	285
a) working or productive animals and long-term plantings,		-	285
Long-term investment in leased fixed assets		140 897	179 205
Technology devices and equipment		635 357	207 681
Other fixed assets and inventory		236 092	245 146
Expense of tangible assets and construction in progress		303 407	307 586
<b>Total fixed assets</b>	9	<b>1 544 957</b>	<b>1 169 107</b>
<b>Long-term financial investments</b>			
Shareholding in the capital of subsidiary companies	10	178 756	9 340
Loans to subsidiary companies	11	326 574	44 987
Other loans and long-term receivables	12	376 050	105 000
<b>Total long-term financial investments</b>		<b>881 380</b>	<b>159 327</b>
<b>Total long-term investments</b>		<b>2 648 033</b>	<b>1 389 404</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials, direct materials and auxiliary materials		2 047 307	611 347
Work in progress		-	625 958
Finished products and goods for sale		84 510	275 706
Advance payments for inventories		75 920	53 859
<b>Total inventories</b>		<b>2 207 737</b>	<b>1 566 870</b>
<b>Receivables</b>			
Trade receivables	13	841 447	1 121 632
Amounts owed by related companies	11	22 366	437 042
Other receivables	14	3 786	75 347
Prepaid expenses		15 278	23 603
<b>Total receivables</b>		<b>882 877</b>	<b>1 657 624</b>
<b>Cash and cash equivalents</b>		<b>376 178</b>	<b>86 010</b>
<b>Total current assets</b>		<b>3 466 792</b>	<b>3 310 504</b>
<b>TOTAL ASSETS</b>		<b>6 114 825</b>	<b>4 699 908</b>

**BALANCE SHEET**

<b>LIABILITIES</b>	Note number	<b>31.12.2020</b> EUR	<b>31.12.2019</b> EUR
<b>Equity capital</b>			
Share capital (equity capital)	15	1 301 400	140 400
Long-term investment revaluation reserve	16	407 404	-
Reserves:		14	14
f) other reserves		14	14
Retained earnings or uncovered losses of previous years		85 259	145 460
Profit or loss of the reporting year		692 813	(60 201)
<b>Total equity capital</b>		<b>2 486 890</b>	<b>225 673</b>
<b>Creditors</b>			
<b>Long-term liabilities</b>			
Borrowings from credit institutions	17	1 000 000	-
Other borrowings	18	34 774	1 064 602
<b>Total long-term liabilities</b>		<b>1 034 774</b>	<b>1 064 602</b>
<b>Short-term liabilities</b>			
Borrowings from credit institutions	17	-	55 761
Other borrowings	18	395 441	361 831
Advance payments from customers		724 605	875 706
Trade payables		1 152 718	409 542
Amounts owed to subsidiary companies		15 000	-
Taxes and mandatory state social insurance contributions	19	110 421	48 794
Other liabilities	20	69 482	554 051
Deferred income		4 316	-
Dividends payable		-	357 296
Accrued liabilities	21	121 178	746 652
<b>Total short-term liabilities</b>		<b>2 593 161</b>	<b>3 409 633</b>
<b>Total liabilities</b>		<b>3 627 935</b>	<b>4 474 235</b>
<b>TOTAL LIABILITIES</b>		<b>6 114 825</b>	<b>4 699 908</b>

Notes on pages 11 to 23 form are integral part of these financial statements.

Ričards Andersons  
 (Board member)

  
 signature

March 17, 2021

**Annual report drawn up by:**

Ieva Grase  
 (Chief Accountant)

  
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**CASH FLOW STATEMENT**

(indirect method)

	Note number	2020 EUR	2019 EUR
<b>Cash Flow from operating activities</b>			
Profit or loss before taxation		704 204	(50 454)
<b>Adjustments:</b>			
Adjustments of decrease in value of equity capital		167 144	322 563
Amortization of intangible assets		22 094	16 035
Increase / decrease in provisions		-	(26 796)
Unrealized profit from fluctuations of currency exchange rate		-	(1 116)
Interest and similar income		(937)	-
Revenue from subsidies		(72 468)	
Gains / losses on disposal of long-term assets		-	1 500
Interest and similar expenses		167 211	130 630
<b>Cash Flow before adjustments on changes in current assets and liabilities</b>		<b>987 248</b>	<b>392 362</b>
<b>Adjustments for:</b>			
Increase (-)/ decrease (+) in trade and other receivables		756 326	(171 355)
Increase (-)/ decrease (+) in inventories		(640 867)	(54 487)
Increase (+)/ decrease (-) in trade and other payables		(446 130)	417 322
<b>Gross operating cash flow</b>		<b>656 577</b>	<b>583 842</b>
<b>Interest paid</b>		(167 211)	(130 630)
<b>Corporate tax paid</b>		16 135	-
<b>Net cash flow from operating activities</b>		<b>505 501</b>	<b>453 212</b>
<b>Cash flow from investing activities</b>			
Acquisition of shares in affiliated companies, associates or other companies		(172 256)	-
Proceeds from the disposal of shares in affiliated companies, associates or other companies		2 840	-
Acquisition of fixed assets and intangible assets		(335 417)	(557 578)
Proceeds from sale of fixed and intangible assets		17 007	1 116
Loans granted		(552 637)	-
Interest received		937	-
<b>Net cash flow from investing activities</b>		<b>(1 039 526)</b>	<b>(556 462)</b>
<b>Cash flow from financing activities</b>			
Loans from credit institutions received		1 109 021	416 253
Received grants, subsidies and donations		72 468	-
Dividends paid		(357 296)	(231 999)
<b>Net cash flow from financing activities</b>		<b>824 193</b>	<b>184 254</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>290 168</b>	<b>81 004</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>86 010</b>	<b>5 006</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>376 178</b>	<b>86 010</b>

Notes on pages 11 to 23 form an integral part of these financial statements.

Ričards Andersons  
 (Board member)

  
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March 17, 2021

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 Ieva Grase  
 (Chief Accountant)

  
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**STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Long - term investment revaluation reserve</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
	EUR	EUR	EUR	EUR	EUR
<b>As at 31.12.2018</b>	<b>140 400</b>	<b>-</b>	<b>14</b>	<b>734 755</b>	<b>875 169</b>
Increase / decrease in share capital	-	-	-	(589 295)	(589 295)
Profit for the financial year	-	-	-	(60 201)	(60 201)
<b>As at 31.12.2019</b>	<b>140 400</b>	<b>-</b>	<b>14</b>	<b>85 259</b>	<b>225 673</b>
Increase / decrease in share capital	1 161 000	-	-	-	1 161 000
Gains or loss from revaluation of fixed assets	-	407 404	-	-	407 404
Profit for the financial year	-	-	-	692 813	692 813
<b>As at 31.12.2020</b>	<b>1 301 400</b>	<b>407 404</b>	<b>14</b>	<b>778 072</b>	<b>2 486 890</b>

Notes on pages 11 to 23 form an integral part of these financial statements.

Ričards Andersons  
(Board member)



*signature*

March 17, 2021

**Annual report drawn up by:**

Ieva Grase  
(Chief Accountant)



*signature*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) Significant accounting principles**

#### **Principles of preparation of financial statements**

The annual report has been prepared in accordance with the laws "On Accounting" and "Law on Annual Accounts and Consolidated Annual Accounts".

The profit or loss statement has been classified according to expenditure function method. The cash flow statement is prepared using indirect cash flow method.

On December 31, 2020, the company corresponds to the category of a medium-sized company. The annual report is prepared by applying the following basic principles:

- 1) it is assumed that the Company will continue its operation;
- 2) The same accountancy policy and evaluation methods was used as in the previous year, except for the balance sheet items, which can be abandoned in accordance with the new law „Law on Annual Accounts and Consolidated Annual Accounts”, since the Company is not using SFPS in preparation of the annual report;
- 3) Items in the financial statements are recognized and measured on a prudent basis subject to the following conditions:
  - a) the financial statement includes only the profit earned up to the balance sheet date;
  - b) all liabilities and expected risk amounts and losses incurred during the reporting year or previous years are taken into account, even if they became known between the balance sheet date and the date when the annual report is signed by the Company's management body;
  - c) all amounts of impairment and depreciation of assets have been calculated and taken into account, regardless of whether the reporting year is closed with profit or loss;
- 4) the items in the balance sheet and profit and loss statement are shown on an accrual basis, i.e. income and expenditure are represented on the basis of the time of their occurrence and not the time of receipt or disbursement of money. Income and expenditure related to the reporting year are represented regardless of the date of receipt of the
- 5) costs are reconciled with revenues in the respective reporting periods;
- 6) the amounts indicated in the relevant balance sheet items (opening balances) correspond to the amounts indicated in the same balance sheet items at the end of the previous reporting year (closing balances);
- 7) asset and liability items are valued separately;
- 8) the amounts in the balance sheet and profit and loss statement items are indicated taking into account the content and nature of economic transactions, and not only the legal form.

#### **Reporting period**

The reporting period is 12 months	01.01.2020	to	31.12.2020
The previous period is 12 months	01.01.2019	to	31.12.2019

#### **Transactions in foreign currencies**

Financial reports are prepared in the single currency of the European Union, euro (EUR).

All transactions in foreign currencies are converted into euro according to the official currency exchange rate set by the European Central Bank on the respective day of transaction. All monetary assets and liabilities are converted into euro according to the exchange rate set by the European Central Bank on the last day of the financial year.

Profit or loss gained as a result of currency exchange rate fluctuations have been recognized in the income statement for the respective period.

#### **Related parties**

A related party is a person or an entity that is related to the reporting Company.



A person or a close member of that person's family is related to the reporting Company if that person has control, joint control or significant influence over the reporting Company or is a member of the key management personnel of the reporting Company or of a parent of the reporting Company.

An entity is related to the reporting Company if they are members of the same group. Also an entity is related to the reporting Company if the entity is controlled, jointly controlled or significantly influenced by a related person of the reporting Company or this related person of the reporting Company is a member of the key management personnel of that entity or of a parent of that entity.

### **Intangible assets and fixed assets**

Fixed assets are displayed in their acquisition value less depreciation. The acquisition value of fixed assets consists of purchase price, import duties and non-refundable purchase taxes, other costs directly attributable to delivery of the assets to their location and getting in the working condition pursuant to the suggested use. Depreciation and amortisation is calculated over the useful life of the asset according to the linear method applying the following depreciation rates as the basis of calculation:

Buildings and structures	5%
Manufacturing devices	20%
Technological equipment	10%
Office equipment	20%
Computer hardware	35%
Motor vehicles	20-35%
Other fixed assets	20%

Intangible assets are displayed in their acquisition value less depreciation. Depreciation has been calculated within the period of useful life of an asset according to the linear method, applying the following depreciation rates:

Licenses	10-20%
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Gains or losses from sales of fixed assets are displayed in the income statement of the respective period. Repair or renovation expenses that increase the useful life of fixed assets or their value are capitalised and written off within the period of useful life of assets. Other repair or renovation expenses are recognised as the loss of the accounting period.

Expenses related to leasehold improvements are capitalised and displayed in the fixed assets. Depreciation is calculated over the lease period using the linear method. Loan issue expenses that are directly related to formation of fixed assets and construction in progress are capitalised, if such expenses are reasonably attributable and directly related. Loan issue expenses are capitalised before putting the fixed assets into operation. In 2020, the company has revalued one group of fixed assets - Technological equipment, creating a long-term investment revaluation reserve, assuming that the depreciation of the mentioned fixed assets is 10 years, and the revaluation of this group takes place after 5 years.

### **Long-term financial investments**

#### *- Related companies*

A related company is a company, which is directly or indirectly controlled by another company (the parent company – more than 50% of the shareholders' voting rights in this company). The parent company controls the subsidiary company's financial and business policy. The company recognizes income from investments only in case if it receives distribution of profit from the related company after the purchase date. The received distribution, which exceeds this profit, shall be considered as investment recovery costs and is recognized as a decrease of purchase costs in the related company's investment.

#### *- Associated companies*

Associated company is a company over which the group has direct or indirect significant influence (at least 20%, but not more than 50% of the shareholders' voting rights in this company), but has no control over financial and operating policy. The company recognises the income from investment only to the extent the distribution of the profit accumulated after the acquisition date is received from the respective subsidiary company. Received distribution in excess of such profit is regarded as investment recovery cost and is recognised as a decrease of purchase cost of the investments in related companies.

### **Evaluation of inventories**

Cost price of inventories is determined using FIFO method. Inventories are evaluated according to the cost price or the lowest market values on the balance date.

If inventory units are damaged, have become partly or totally obsolete, or the expenses of production completion or selling increase substantially - corresponding inventory units has to be valued at the net sales price. (Net sales price is the forecasted sales price in ordinary business, less the calculated products completion and selling expenses).

### **Receivables**

Receivables are recognized according to the amount of initial invoices, less accruals for doubtful debts. Accruals are made if receipt of full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

#### *Provisions for bad and doubtful debtors*

Provisions for bad and doubtful debtors are estimated over the whole year based on expected budget created as for proportional income and expense flows. Accounts receivables can be written off from the provisions if their recovery is considered to be impossible. At the end of the year the Company evaluates all account receivables - bad debts are written off, but doubtful debts are assigned to Provisions for doubtful debts.

### **Cash**

Cash is cash in hand and non-cash in payment accounts and deposit accounts.

### **Financial instruments**

#### *- Long-term loans and claims*

A financial asset created by the company by lending money or providing service directly to the debtor; not created with the purpose to sell it immediately or in the near future. Initially loans are recognised in their initial value set by adding the expenses related to issue of the loan to the fair value of the loan amount. After initial recognition the loans are recognised in their amortised value, applying the effective interest rate method. The amortised value is calculated with the account of the loan issue expenses, as well as any loan-related discounts and bonuses. The profit or loss due to amortisation is displayed in the profit or loss statement as interest income and expenses. If active decrease in the value has occurred respective reserves are made.

### **Financial leasing liabilities**

Lease is classified as a financial lease if in fact all risks and remunerations that are a characteristic of ownership are transferred to a tenant and if it corresponds to at least one of the following conditions:

- a) ownership to the leased asset will be transferred to the tenant upon expiration of the leasing term;
- b) the lease term includes the majority of the asset's time of useful use;
- c) the leased assets are so specific that only the tenant is entitled to use them without a significant modification.

The assets for financial lease are initially recognised as the Company's assets after their true value or after the current value of the minimum leasing payments if it is lower than the true value. Each of these values are determined on the date of acquiring the lease asset. Lease liabilities are included in the balance sheet as long-term and short-term liabilities of financial lease. Financial expenditure are reflected in the income statement on the relevant period so that a regular and periodic cost rate from the liability surplus would be provided for each reporting period.



### **Provisions**

Provisions are recognised when there is obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation. Extent of the liabilities can be credibly assessed while a certain date of liabilities' occurrence or discharge is not precisely known.

As the warranty for complete filling stations is provided by the equipment manufacturer, the company does not make provisions for warranty repairs.

### **Accrued liabilities**

#### *Provisions for unused vacation compensation*

The provision sum is established by multiplying the average wage for the last six months of the reporting period with the number of days of unused annual leaves on the end date of the reporting period, including also the mandatory state social insurance contributions made by the employer.

#### *Provision for not received expense invoices*

Accrued liabilities for unreceived invoices are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

### **Recognition of income**

Revenue recognition from the sale of goods is recognised as soon as a significant portion of ownership and risks of goods are transferred to the customer, and the reward can be measured reliably. Revenue from rendering of services is recognised in proportion to the stage of completion of the order. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognised in the corresponding period of time.

### **Corporate income tax**

The corporate income tax for the reporting period consists of the calculated tax for such period. The corporate income tax is recognised in the profit or loss statement. The tax for the reporting period is calculated according to the provisions of the law "Enterprise Income Tax Law".

As of taxation year of 2018, corporate income tax is calculated for distributed profit (dividends) and conditionally distributed profit by applying the rate of 20%. Corporate income tax is recognised at the moment when the participants of the Company will make a decision on distribution of profit, or when the costs not promoting further development of the Company (conditionally distributed profit) will be recorded.

### **Application of assumptions**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed its income statement and concluded that the financial statements give a true and fair view of the financial position of the Company, based on all the information currently available.



**(2) Net turnover:**

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

<b>Type of activity</b>	<b>2020</b>	<b>2019</b>
	EUR	EUR
Manufacture of other chemical products nec (NACE 2059)	15 525 875	12 318 158
<b>Total</b>	<b>15 525 875</b>	<b>12 318 158</b>

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

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Costs of purchased raw materials	11 142 300	8 913 542
Cost of goods purchased	1 481 868	1 369 969
Staff costs	427 080	367 836
Rental costs	190 469	218 631
Other costs	332 519	277 729
<b>Total</b>	<b>13 574 236</b>	<b>11 147 707</b>

**(4) Selling expenses**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Personnel expenses	461 836	429 025
Transport costs	114 178	149 889
Office expenses	87 747	129 486
ABUS maintenance costs	24 140	21 258
Advertising expenses	17 983	21 836
Business travel costs	10 436	44 960
Other selling expenses	86 884	70 789
<b>Total</b>	<b>803 204</b>	<b>867 243</b>

**(5) Administrative expenses**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Personnel expenses	207 725	183 478
Other administration expenses	78 399	76 272
<b>Total</b>	<b>286 124</b>	<b>259 750</b>

**(6) Other operating income**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Revenue from received financing LIAA	72 468	6 000
Revenue from prior period adjustments	4 260	30 617
Proceeds from the sale of current assets	-	12 300
Other income	12 064	74 604
<b>Total</b>	<b>88 792</b>	<b>123 521</b>

**(7) Other operating expenses**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Other personnel expenses	25 084	13 165
Losses from adjustment to prior periods	19 337	27 029
Fines and penalties paid	10 863	3 875
Net losses from exchange rate fluctuations	8 057	10 317
Expenditure on staff sustainability measures	3 295	8 925
Other expenses	13 988	23 492
<b>Total</b>	<b>80 624</b>	<b>86 803</b>

**(8) Intangible assets**

		<b>Concessions, patents, licenses, trade marks and similar rights</b>	<b>Total intangible assets</b>
		EUR	EUR
<b>Acquisition value</b>	<b>01.01.2020</b>	<b>90 400</b>	<b>90 400</b>
Additions		182 820	182 820
<b>Acquisition value</b>	<b>31.12.2020</b>	<b>273 220</b>	<b>273 220</b>
<b>Accumulated amortization</b>	<b>01.01.2020</b>	<b>29 430</b>	<b>29 430</b>
Amortization charge		22 094	22 094
<b>Accumulated amortization</b>	<b>31.12.2020</b>	<b>51 524</b>	<b>51 524</b>
<b>Net book value</b>	<b>01.01.2020</b>	<b>60 970</b>	<b>60 970</b>
<b>Net book value</b>	<b>31.12.2020</b>	<b>221 696</b>	<b>221 696</b>

(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	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Acquisition value</b>	<b>01.01.2020</b>	<b>229 204</b>	<b>285</b>	<b>207 448</b>	<b>-</b>	<b>275 049</b>	<b>445 336</b>	<b>307 586</b>	<b>1 464 908</b>
Additions		-	-	10 476	407 404	53 081	88 970	70	560 001
Disposal		-	(285)	(943)	-	-	(17 993)	(5 235)	(24 456)
Reclassified		-	-	(986)	132 188	(83 129)	(49 059)	986	-
Moved to stock		-	-	-	-	-	(8 802)	-	(8 802)
<b>Acquisition value</b>	<b>31.12.2020</b>	<b>229 204</b>	<b>-</b>	<b>215 995</b>	<b>539 592</b>	<b>245 001</b>	<b>458 452</b>	<b>303 407</b>	<b>1 991 651</b>
<b>Accumulated depreciation</b>	<b>01.01.2020</b>	<b>-</b>	<b>-</b>	<b>28 243</b>	<b>-</b>	<b>67 368</b>	<b>200 190</b>	<b>-</b>	<b>295 801</b>
Depreciation charge		-	-	46 855	1 886	51 782	66 621	-	167 144
Amortization of intangible assets that have been liquidated or reclassified		-	-	-	-	-	(7 449)	-	(7 449)
Moved to stock		-	-	-	-	-	(8 802)	-	(8 802)
Reclassified		-	-	-	58 906	(30 705)	(28 201)	-	-
<b>Accumulated depreciation</b>	<b>31.12.2020</b>	<b>-</b>	<b>-</b>	<b>75 098</b>	<b>60 792</b>	<b>88 445</b>	<b>222 359</b>	<b>-</b>	<b>446 694</b>
<b>Net book value</b>	<b>01.01.2020</b>	<b>229 204</b>	<b>285</b>	<b>179 205</b>	<b>-</b>	<b>207 681</b>	<b>245 146</b>	<b>307 586</b>	<b>1 169 107</b>
<b>Net book value</b>	<b>31.12.2020</b>	<b>-</b>	<b>-</b>	<b>140 897</b>	<b>478 800</b>	<b>156 556</b>	<b>236 093</b>	<b>303 407</b>	<b>1 544 957</b>

On 31 December 2020, the accounting sum in the category of fixed assets "Other fixed assets" include cars 65124 EUR value, which have been purchased in financial lease.

On 31 December 2020, the cadastral value of the real estate owned by the Company is 229204 EUR

**(10) Shareholding in the capital of subsidiary companies**

	31.12.2020	31.12.2019
	EUR	EUR
Acquisition value at the beginning of the reporting year	9 340	10 840
<b>Investments in the beginning of period</b>	<b>9 340</b>	<b>10 840</b>
Acquisition (+)	172 256	-
Changes to value adjustments in relation to write-off or carrying over	(2 840)	(1 500)
Acquisition value at the end of the reporting period	181 596	10 840
Changes in the accrued participation value at the end of the reporting period	(2 840)	(1 500)
<b>Investments in the beginning of period</b>	<b>178 756</b>	<b>9 340</b>

**Company name**

	Owned shares, %	Acquisition value	Investment book value	Subsidiary Profit or Loss 2020	Subsidiary company's equity value on 31.12.2020
SIA CrossChem Agro	50	1 500	1 500	(2 910)	(6 395)
CrossChem Estonia OU	51	177 256	177 256	83	(12 861)
	<b>X</b>	<b>178 756</b>	<b>178 756</b>	<b>(2 827)</b>	<b>(19 256)</b>

**(11) Loans to subsidiary companies**

	Changes within the reporting period	31.12.2020	31.12.2019
		EUR	EUR
<b>Long-term loans</b>			
SIA CrossChem Latvia/ETEX	(8 638)	3 949	12 587
CrossChem Estonia OU	300 000	300 000	-
SIA CrossChem Agro	(9 775)	22 625	32 400
<b>Total long term loans</b>	<b>281 587</b>	<b>326 574</b>	<b>44 987</b>

	Changes within the reporting period	31.12.2020	31.12.2019
		EUR	EUR
<b>Short term liabilities</b>			
CrossChem Estonia OU	(415 522)	21 520	437 042
SIA CrossChem Intaernational	846	846	-
<b>Total short term liabilities</b>	<b>(414 676)</b>	<b>22 366</b>	<b>437 042</b>

**(12) Other loans and long-term receivables**

	Changes within the reporting period	31.12.2020	31.12.2019
		EUR	EUR
Other loans	271 050	376 050	105 000
<b>Total</b>	<b>271 050</b>	<b>376 050</b>	<b>105 000</b>

**(13) Trade receivables**

	31.12.2020	31.12.2019
	EUR	EUR
Trade receivables carrying amount	841 447	1 121 632
<b>Total</b>	<b>841 447</b>	<b>1 121 632</b>



**(14) Other receivables**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	EUR	EUR
Tax overpayment	1 010	42 424
Corporate income tax advance payment	-	18 421
Other debtors	2 776	14 502
<b>Total</b>	<b>3 786</b>	<b>75 347</b>

**(15) Share capital (equity capital)**

In accordance with the minutes of the Meeting of the Shareholders No. 4/2020 of 23 December 2020, a decision has been made to change the size of the capital share and increase the share capital by making a material investment. As at 31 December 2020, the share capital is fully paid. It consists of 1301400 shares with a nominal value of EUR 1.

**(16) Long-term investment revaluation reserve**

Item of fixed assets (object name)	Revaluation reserve surplus at the period's		Value of the fixed asset in the beginning of the period	Decrease of revaluating reserve	Value of fixed assets at the end of the period	
	beginning	end			without revaluating	with revaluating
	01.01.2020	31.12.2020			01.01.2020	2020
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Technology devices and equipment:</u>						
A/m Scania 124	-	7 223	16 900	-	9 123	15 000
A/m Scania RO2584	-	8 341	10 798		4 139	15 000
AdBlue production facility	-	302 083	55 580		21 664	336 000
AdBlue plant 2 (expansion in Latvia)	-	80 771	22 257	-	5 028	98 000
AdBlue filling station 90001_6	-	1 900	5 056		1 956	5 000
AdBlue filling station 90001_4	-	2 286	10 066		7 351	5 000
High pressure washer HD1140	-	1 000	2 816		2 816	1 000
Washing machine NEPTUNE 5-49	-	500	2 476		2 476	500
Filling tank complex of 6 tanks	-	3 300	6 239		6 239	3 300
<b>Total</b>	-	407 404	132 188	-	60 792	478 800

(17) Borrowings from credit institutions

	% rate	Date of payment	31.12.2020 Currency	31.12.2020 EUR	31.12.2019 EUR
<b>Long-term borrowings (from 1 to 5 years)</b>					
ALTUM	2.9%	25.08.2023	1 000 000	1 000 000	-
<b>Total long-term borrowings</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>1 000 000</b>	<b>-</b>

	% rate	Date of	31.12.2020 EUR	31.12.2019 EUR
<b>Short-term borrowings</b>				
AS Swedbank	5.2% +6 mēn EURIBOR	23.06.2020.	-	55 761
<b>Total short - term borrowings</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>55 761</b>

Mechanical vehicle of the Company JA501 VW has been pledged in AS Swedbank, the entire property of the person giving the commercial pledge at the moment of pledge. Credit line agreement 163-000939-KR/1, 6 month Euribor, 5.2% rate valid until 23.06.2020. Commercial pledge of ALTUM loan security, in accordance with the agreement: with the right of the first claim to the entire property as a joint property at the time of the pledge, as well as to the subsequent components of the joint property. including fixed assets to be acquired for the Loan funds.

(18) Other borrowings

	% rate	Date of	31.12.2020 EUR	31.12.2019 EUR
<b>Long-term borrowings (from 1 to 5 years)</b>				
CrossChem Agro SIA	10.5	31.12.2025	34 774	47 274
CrossChem International SIA	10.5	31.12.2022	-	1 006 464
Swedbank leasing EUR	2.9/4.5	31.12.2021	-	10 864
<b>Total long-term borrowings</b>	<b>X</b>	<b>X</b>	<b>34 774</b>	<b>1 064 602</b>

Loan agreements with SIA CrossChem International: 15-CC04, interest rate 10.5%, 17-CC01, interest rate 10.5%; DD 05.06.2017, interest rate 10.5%, DD 27.10.16, interest rate 10.5%; 02.01.2018, interest rate 10.5%; 20170701. interest rate 10.5%, all loans must be repaid by 31.12.2022. Loan agreement with CrossChem Agro from 01.07.2019 - 4.1% per annum until 31.12.2025

	% rate	Date of	31.12.2020 EUR	31.12.2019 EUR
<b>Short-term borrowings</b>				
Irina Andersone	6	01.05.2021	30 000	-
Līvija Lūse	6	Within 10 working days upon request	350 000	350 000
Swedbank leasing EUR	2.9/4.5	31.12.2021	15 441	11 831
<b>Total</b>	<b>X</b>	<b>X</b>	<b>395 441</b>	<b>361 831</b>

Swedbank leasing agreements: 158384- 6 months.EURIBOR, 2.9% rate valid until 30.06.2021; 168537-6 months.EURIBOR, 2.9% rate valid until 30.12.2021; 168538-6 months.EURIBOR, 2.9% rate valid until 30.12. 168900- 6 months.EURIBOR, 4.5% rate valid until 30.12.2021; Līvija Lūse - Loan agreement 1102/2019, interest 6% per annum, Irina Andersone - Loan agreement from 17.08.2020, 6% per annum

**(19) Taxes and mandatory state social insurance contributions**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	EUR	EUR
Social contributions	56 188	24 160
Personal income tax	37 339	12 432
Corporate income tax	9 105	-
Value added tax	4 953	9 193
Company Car Tax	2 817	3 004
Risk duties	19	5
<b>Total</b>	<b>110 421</b>	<b>48 794</b>

**(20) Other liabilities**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	EUR	EUR
<b>Short-term other creditors</b>		
Salary	60 915	45 800
Settlement of received deposits	4 760	-
Loan interest payments	3 789	187 435
Settlement of factoring transactions	-	292 574
Payments to customers for incorrect amounts	-	26 663
Other creditors	18	1 579
<b>Total short-term other creditors</b>	<b>69 482</b>	<b>554 051</b>

**(21) Accrued liabilities**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	EUR	EUR
Provisions for unused vacations	74 955	57 374
Settlements with creditors for accrued liabilities	46 223	689 278
<b>Total</b>	<b>121 178</b>	<b>746 652</b>

**(22) Average number of employees**

	<b>2020</b>	<b>2019</b>
Average number of employees	48	41

**(25) Information on issued guarantees, warranties, and other possible liabilities and pledged assets**

Commercial pledge agreement 100190524 from 20.05.2020. - with the right of the first claim to the entire property as a joint property at the time of the pledge, as well as to the subsequent components of the joint property, including fixed assets to be purchased with the Loan funds. The loan is secured by a mortgage on the company's real estate.



**(26) Information on lease and rent agreements, that have important influence on company's activity**

SIA Pirmas, reg.No.40103716379 from 01.08.2018 Real Estate Lease Agreement No.IzL2 / 2018 / 08-15; SIA KOROLA, reg.No.40003493307 -Land lease agreement 12/09/19 from 12.09.2019

**(27) Important events after the end of the report year**

Taking into account the situation in the country and in the world with the spread of Covid-19 virus, our company experienced financial difficulties in the first months of 2021, since the demand for our products declined, the delivery and transport prices for procurement of raw materials increased, late payment by the customers for the products delivered by us has been observed; the employees are arranging for sick leaves at the slightest suspicion of sickness or to look after their children while they are not attending school and / or pre-school education institutions; the prices of raw materials required for production experienced sharp increase and their availability is very limited. All above factors and their simultaneous effect causes risks for uninterrupted continued economic operation and total liquidity of the company.

**(28) Financial risk management**

The financial assets of the Company are mostly comprised by the receivables denominated in euro, as well as demand deposits in credit institutions. Majority of financial obligations are comprised by debts to suppliers for products and services. We hardly use the financing of commercial institutions, due to disproportionate requirements they impose on business, instead we use the income earned by the company, borrow in the private sector and attract state support instruments to increase financial flow and develop economic activity: 1) A Loan has been received from the Development Financial Institution ALTUM - for current assets to mitigate the COVID-19 effect, 2) LIAA support has been received for Covid-19 crisis-affected exporters of goods and services to overcome the crisis – for compensation of salaries. Therefore, the Company is subject to the risk of interest rate changes, and this may have significant effect on its operating results. The second largest creditor of the Company is Crosschem International, which is the parent company since 21.12.2020. The Company has developed the following policy to address receivables issues: direct managers work with clients for up to 30 calendar days of late payment, after exceeding 30 calendar days of debt, its recovery is transferred to the Company lawyer, who, according to experience, ensures 99% debt recovery. Besides, the Company is cooperating with SIA Factris LVI factoring. Since factoring customers are insured, then in any case the Company will recover 90% of the debt amount. There is no significant difference between the carrying amount of financial assets and liabilities and their fair value. During the reporting year, the Company did not use derivative financial instruments.

Ričards Andersons  
(Board member)



signature

March 17, 2021

**Annual report drawn up by:**

Ieva Grase  
(Chief Accountant)



signature

## INDEPENDENT AUDITORS' REPORT

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Latvia

To the shareholder of "CrossChem" SIA

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### *Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of SIA "CrossChem" ("the Company") set out on pages 6 to 23 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2020,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

**In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA "CrossChem" as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.**

### *Basis for Opinion*

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Reporting on Other Information*

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4-5 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



*Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SLA „Grant Thornton Baltic Audit”  
License No. 183



Silvija Gulbe  
Sworn auditor  
Certificate No. 142  
Member of the Board

Riga, 17 March, 2021