LIMITED LIABILITY COMPANY

OC VISION

Unaudited Consolidated Financial Statements
For 3 months ended 31 March 2025

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Contents

Management Report

General Information

The core activity of the SIA OC VISION Group, which includes SIA OC VISION, SIA Vision Express Baltija, SIA Optometrijas Serviss (liquidated in 2024), and UAB Vision Express, is the retail and wholesale of vision and hearing correction products and related services. Goods and services are provided through a network of 77 optical stores in Latvia and Lithuania, operating under four primary brands: OptiO, Vizionette, Vision Express, and Lornete. In addition, e-commerce stores under the Dr. Lensor, OptiO, Vizionette, and Vision Express brands operate in the Baltic region. The Group also engages in wholesale distribution of vision and hearing correction products and equipment, as well as the provision of service solutions for business clients under the OPPTICA brand. The “Vision Express” and associated trademarks are used under a licensing agreement granted for the territories of Latvia and Lithuania by VISION EXPRESS (UK) LIMITED.

Product sourcing is conducted both from foreign and local suppliers — representatives and wholesalers of leading manufacturers. Purchased goods are received at the central warehouse in Riga and at a warehouse in Vilnius, from where they are distributed to optical retail locations or sold further to wholesale clients. The Riga warehouse also provides shared procurement and central warehousing services for all entities of the Group.

The Group’s purchasing volume enables it to offer a comprehensive range of top-quality products and services from the world’s leading manufacturers, which are then offered to the Group’s clients. The Group has established professional long-term partnerships with leading manufacturers of optical products and equipment, such as EssilorLuxottica, De Rigo, Safilo, Kering Eyewear, Alcon, Cooper Vision, Bausch and Lomb, Menicon, HOYA Vision Care, Seiko Vision, LTL, Tomey, Huvitz, Keeler, ICare, and other prominent producers.

Group’s Operations during the Reporting Period

During the reporting period, the Group carried out optical store renovation, transformation, and construction projects, including the renewal of vision and hearing examination technologies and the implementation of the latest solutions in those locations. The Group continued to adapt its business model to the global economy influenced by the pandemic and geopolitical developments, making significant investments in the development of digital solutions and efficiency improvements.

In 2025 3 month ended 31 march 2025, the Group’s net turnover reached EUR 9 638 952, representing a 16% increase compared to 2024 3 month ended 31 March 2024 (EUR 8 317 167). The Group closed the reporting period with a profit of EUR 245 396, compared to losses EUR 62 972 in 2024.

Further Development

The Group’s strategic objectives are to maintain and strengthen its leading position as the foremost provider of vision and hearing correction services in the Baltic region. This is planned to be achieved by employing highly qualified industry professionals and utilizing the most advanced solutions, thereby ensuring that residents of the Baltic states and B2B clients have access to innovative vision and hearing solutions from the world’s leading manufacturers.

At the same time, the Group is actively developing new sales channels, including e-commerce, and is adapting its business model to the changes in consumer behaviour and public health trends brought about by the modern era of geopolitical shifts and technological advancement. In this context, the Group focuses on the development of both physical and digital sales networks/channels and products/services, as well as on the creation of an integrated omnichannel operating model. The latest technological solutions are being applied, and internal IT systems are being developed to enhance customer convenience and improve employee productivity.

This set of initiatives will not only increase efficiency and reduce costs, but also strengthen and expand the Group’s market share while maintaining its leadership position in the industry.

In addition, the Group plans to expand its network of optical stores by opening new stores in prospective and well-positioned Class A retail locations in the capital cities of the Baltic states and their surrounding areas, as well as by exploring opportunities to expand operations in major regional cities in the Baltics where the Group is not yet present.

Management Report

The Group plans to make investments to increase the volume of its B2B segment both within the Baltic region and beyond. In addition, the Group aims to expand the availability of vision and hearing correction specialists and services across various regions in Latvia and Lithuania, as well as to grow the e-commerce business line in new geographic markets and product niches. The Group also plans to invest in IT systems tailored to the specific needs of the vision and hearing correction industry.

During this period of geopolitical instability, the Group intends to pursue a balanced growth strategy, allocating significant resources not only toward expansion but also toward enhancing efficiency and managing risks associated with the unpredictable future development of geopolitical conditions in Eastern Europe and globally as at the date of signing the report.

Financial Instruments

The Group's most significant financial assets and liabilities are cash, receivables from customers and suppliers, and borrowings from credit institutions and/or financial funds. The Group is in the process of issuing bonds to refinance borrowings in advance. The Group does not use derivative financial instruments to manage risks related to financial assets and liabilities.

Toms Dzenis
Member of the Management Board, CEO

25 July 2025

Unaudited Consolidated Statement of Profit or Loss for the 3month ended 31 March 2025

	Jan-Mar 2025 EUR	**Jan-Mar 2024 EUR**
Net Turnover	9 638 952	8 317 167
a) From Other Core Activities	*9 638 952*	*8 317 167*
Cost of Goods Sold	(3 491 290)	(2 921 357)
Gross Profit	**6 147 662**	**5 395 810**
Selling Expenses	(4 587 646)	(4 266 137)
Administrative Expenses	(1 197 410)	(1 078 830)
Other Operating Income	17 921	13 975
Other Operating Expenses	(21 236)	(15 313)
Interest Income and Similar Income	3 614	4 867
Interest Expenses and Similar Charges	(117 509)	(117 343)
Profit Before Corporate Income Tax	**248 396**	**(62 972)**
Corporate Income Tax for the Reporting Period	-	-
Profit or Loss for the Reporting Period	**248 396**	**(62 972)**

The notes from page 10 to page 16 form an integral part of these financial statements.

Toms Dzenis
Member of the Management
Board, CEO

25 July 2025

Unaudited Consolidated Balance Sheet as at 31 March 2025

Assets	**31.03.2025 EUR**	**31.12.2024 EUR**
Non-Current Assets		
Intangible Assets		
Concessions, Patents, Licences, Trademarks and Similar Rights	1 234 806	1 271 735
Advance Payments for Intangible Assets	16 180	-
Total Intangible Assets	**1 250 986**	**1 271 735**
Property, Plant and Equipment		
Land, Buildings and Engineering Structures	1 995 683	2 019 620
Non-Current Investments in Leased Property, Plant and Equipment	901 901	834 906
Technological Equipment and Machinery	832 228	857 226
Other Property, Plant and Equipment and Inventory	1 295 198	1 247 847
Advance Payments for Property, Plant and Equipment	211 908	19 635
Total Property, Plant and Equipment	**5 236 918**	**4 979 234**
Non-Current Financial Investments		
Long-Term Guarantee Deposits for Premises	424 198	416 998
Total Non-CurrentFinancial Investments	**424 198**	**416 998**
Total Non-Current Assets	**6 912 103**	**6 667 967**
Current Assets		
Inventories		
Raw Materials and Consumables	218 091	213 775
Goods and Goods for Sale	7 152 745	6 299 338
Advance Payments for Goods	94 424	106 408
Total Inventories	**7 465 260**	**6 619 521**
Receivables		
Trade Receivables	327 587	215 121
Other Receivables	85 033	95 524
Accrued Income	14 802	75 701
Next Period Expenses	131 988	91 413
Total Receivables	**559 410**	**477 759**
Cash and Cash Equivalents	**2 679 238**	**2 664 759**
Total Current Assets	**10 703 908**	**9 762 039**
Total Assets	**17 616 010**	**16 430 006**

The notes from page 10 to page 16 form an integral part of these financial statements

Unaudited Consolidated Balance Sheet as at 31 March 2025

Equity and Liabilities	**31.03.2025 EUR**	**31.12.2024 EUR**
Equity		
Share Capital	220 539	220 539
Revaluation Reserve of Non-Current Assets	2 465 398	2 465 398
Currency Translation Reserve	15 871	15 871
Other Reserves	6	6
Retained Earnings:		
Retained Earnings from Previous Years	1 380 062	1 042 278
Profit for the Reporting Year	245 396	686 779
Total Equity	**4 327 272**	**4 430 871**
Non-Current Liabilities		
Other Borrowings	7 103 322	7 084 605
Tax and Social Security Contributions	24 925	24 925
Total Non-Current Liabilities	**7 128 247**	**7 109 530**
Current Liabilities		
Other Borrowings	25 608	25 608
Advances from Customers	602 998	712 405
Payables to Suppliers and Contractors	2 526 343	1 851 918
Accrued Liabilities	1 295 650	1 259 044
Taxes and Social Security Contributions	822 318	648 142
Other Creditors	582 203	381 881
Payables to Shareholders	305 371	10 607
Total Current Liabilities	**6 160 491**	**4 889 605**
Total Liabilities	**13 288 738**	**11 999 135**
Total Equity and Liabilities	**17 616 010**	**16 430 006**

The notes from page 10 to page 16 form an integral part of these financial statements.

Toms Dzenis

Member of the Management Board, CEO

25 July 2025

Unaudited Consolidated Statement of Cash Flows

	Jan-Mar 2025 EUR	Jan-Mar 2024 EUR
Cash flow From Operating Activities		
1. Profit (Loss) before Extraordinary Items and Income Tax	245 396	(62 972)
Adjustments:		
Depreciation of Property, Plant and Equipment	241 639	256 807
Impairment of Property, Plant and Equipment	-	-
Result from Disposal of Property, Plant and Equipment	14 949	41 609
Amortisation of Intangible Assets	36 929	33 049
Interest Income	(3 614)	(4 867)
Interest Expenses	117 509	117 343
2. Profit before Adjustments for Changes in Current Assets and Current Liabilities	652 808	380 969
Adjustments:		
Increase/Decrease in Receivables	(149 815)	(194 971)
Increase/Decrease in balances of inventories	(852 939)	(293 817)
Increase/Decrease in balances of payables	1 034 336	657 860
3. Gross Cash Flow from Operating Activities	681 590	550 041
4. Interest Expenses	(117 509)	(117 343)
5. Corporate Income Tax Expenses	-	-
Net Cash Flow from Operating Activities	**564 081**	**432 698**
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment and Intangible Assets	(500 386)	(136 188)
Proceeds from Disposal of Property, Plant and Equipment	1 400	17 816
Interest Received	3 614	4 867
Net Cash Flow from Investing Activities	**(495 372)**	**(113 506)**
Cash Flow from Financing Activities		
Repayment of Borrowings	-	-
Payments for the Redemption of Leased Assets	-	-
Cession Payments Made	(54 230)	(32 500)
Net Cash Flow from Financing Activities	**(54 230)**	**(32 500)**
Net Increase in Cash and Cash Equivalents	**14 479**	**286 692**
Cash and Cash Equivalents at the Beginning of the Period	**2 664 759**	**1 690 336**
Cash and Cash Equivalents at the End of the Period	**2 679 238**	**1 977 028**

The notes from page 10 to page 16 form an integral part of these financial statements.

Toms Dzenis

Member of the Management Board, CEO

25 July 2025

Unaudited Consolidated Statement of Changes in Equity

	Share Capital	Revaluation Reserve of Non-Current Assets	Currency Translation Reserve	Other Reserves	Retained Earnings / (Accumulated Losses) from Previous Years	Profit for the Reporting Year	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2023	**220 539**	**2 465 398**	**14 300**	**6**	**973 577**	**68 486**	**3 742 306**
Profit for 2022 Transferred to Retained Earnings from Previous Years	-	-	-	-	68 486	(68 486)	-
Prior period adjustment	-	-	-	-	215	-	215
Reduction of Reserves	-	-	1 571	-	-	-	1 571
Profit for the Reporting Year	-	-	-	-	-	686 779	686 779
31.12.2024	**220 539**	**2 465 398**	**15 871**	**6**	**1 042 278**	**686 779**	**4 430 871**
Profit for 2024 Transferred to Retained Earnings from Previous Years	-	-	-	-	686 779	(686 779)	-
Reduction of Reatained Earnings as a result of Cession	-	-	-	-	(348 995)	-	(348 995)
Prior Period Adjustment	-	-	-	-	-	-	-
Reduction of Reserves	-	-	-	-	-	-	-
Profit for the Reporting Year	-	-	-	-	-	245 396	245 396
31.03.2025	**220 539**	**2 465 398**	**15 871**	**6**	**1 380 062**	**245 396**	**4 327 272**

The notes from page 10 to page 16 form an integral part of these financial statements.

Toms Dzenis

Member of the Management Board, CEO

25 July 2025

Notes to the Unaudited Consolidated Financial Statements

(1) General Information and Accounting and Measurement Policies- General Principles

Information about the Parent Company of the Group

The Company's legal status is a limited liability company. The legal and registered office address is Elijas Street 17-4, Riga, LV-1050. The Company's core activity is the retail and wholesale of optical goods (NACE 47.74, Rev. 2.1). As at 31 March 2025, the Company is 100% owned by individual residents of Latvia.

Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with the Law on Accounting and the Law on the Annual Financial Statements and Consolidated Financial Statements, as well as Regulation No. 775 of the Cabinet of Ministers "Regulations on the Application of the Law on the Annual Financial Statements and Consolidated Financial Statements" and Regulation No. 399 of the Cabinet of Ministers "Regulations on the Electronic Copy Format of Financial Statements or Consolidated Financial Statements Prepared by Companies," and other regulatory enactments governing accounting and annual reporting.

The financial statements have been prepared on the basis of the historical cost principle. The presentation currency of the financial statements is the euro (EUR).

Basis of Consolidation

Subsidiaries

The consolidation includes the Parent Company of the Group, OC VISION SIA, and those subsidiaries in which the Parent Company directly or indirectly holds more than half of the voting rights or otherwise has the ability to control their financial and operating policies. Control is deemed to exist when the Group has direct or indirect influence over a company's financial and operational policies with the objective of obtaining benefits from its operations.
The acquisition of subsidiaries is accounted for in the consolidated financial statements using the acquisition method. The subsidiaries of the Group are consolidated from the date on which the Group obtains control, and deconsolidated from the date on which such control ceases.

Entities Included in the Consolidation	**Information about the Entity**	**Core Activity of the Entity**
Parent Company of the Group	OC VISION SIA *Elijas Street17-4, Riga, Latvia*	Retail and Wholesale of Optical Goods
Subsidiaries of OC VISION SIA	Vision Express Baltija SIA (100%) Elijas Street 17-4, Riga, Latvia	Retail of Optical Goods
	Vision Express UAB (100%) Gedimino Ave 3a, Vilnius, Lithuania	Retail of Optical Goods
Subsidiary of Vision Express Baltija SIA	Optometrijas Serviss SIA (100%) Elijas Street 17-4, Riga, Latvia	Liquidated on 22 July 2024

Notes to the Unaudited Consolidated Financial Statements

Eliminated Transactions in Consolidation

In the preparation of these consolidated financial statements, intercompany balances and unrealised profits from transactions between Group companies are eliminated in consolidation. Unrealised losses are eliminated in the same manner as unrealised profits, but only to the extent that there is no evidence of impairment.

Applied Accounting Priciples

The items in the financial statements have been measured in accordance with the following accounting principles:

a) It is assumed that the Group companies will continue as going concern.

b) The same measurement methods have been used as in the previous year.

c) Measurement has been carried out with due prudence:

- only the profit earned by the balance sheet date has been included in the report;
- all foreseeable risk amounts and losses arising in the reporting year or in prior years have been taken into account, even if they became known during the period between the balance sheet date and the date of preparation of the annual report;
- all impairment and depreciation amounts have been calculated and accounted for, regardless of whether the reporting year ends with a profit or a loss.

d) Income and expenses related to the reporting year have been taken into account, regardless of the payment date and the date of receipt or issuance of the invoice. Expenses have been matched with income for the reporting period.

e) The components of assets and liabilities have been measured separately.

f) The opening balance sheet of the reporting year corresponds to the closing balance sheet of the previous year, except for the reclassification of certain immaterial balance sheet and profit or loss items between positions.

g) All items that materially affect the users' assessment or decision-making are disclosed; immaterial items are aggregated, with details provided in the notes..

h) Business transactions in the annual report are presented based on their economic substance and essence, rather than their legal form.

Related Parties

Related parties are legal and natural persons associated with the Group companies in accordance with the criteria set out below.

a) A person or a close member of that person's family is related to the reporting entity if:

i. person has control or joint control over the reporting entity;
ii. person has significant influence over the reporting entity; or
iii. person is a member of the key management personnel of the reporting entity or its parent.

b) An entity is related to a Group company if any of the following conditions apply:

i. entity and the Group company belong to the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
ii. one entity is an associate or joint venture of the other entity (or of a group entity to which the other entity belongs);
iii. both entities are joint ventures of the same third party;
iv. one entity is a joint venture of a third party, and the other is an associate of the same third party;
v. entity is a post-employment benefit plan for the employees of the reporting entity or of an entity related to the reporting entity; if the reporting entity itself is such a plan, the sponsoring employers are also related parties.
vi. entity is controlled or jointly controlled by a person identified in point (a);
vii. a person identified in point (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of its parent).

Notes to the Unaudited Consolidated Financial Statements

viii. the entity, or any member of a group to which it belongs, provides key management personnel services to the entity or to the parent of the entity.

Transactions with related parties refer to the transfer of resources, services, or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Financial Instruments and Financial risks

A financial instrument is an agreement that simultaneously gives rise to a financial asset for one party and a financial liability or equity instrument for another party.

The Group's most significant financial instruments include financial assets such as trade and other receivables, and financial liabilities such as borrowings, payables to suppliers and contractors, and other creditors arising directly from its operating activities.

Financial Risks Related to Financial Instruments, Financial Risk Management and Management Considerations

— Credit risk
Credit risk is the risk that the Group may incur financial losses if a counterparty fails to meet its contractual obligations. Credit risk is mainly associated with receivables from customers. The Group does not consider credit risk to be significant, as the majority of revenue comes from retail sales. Goods are sold on a deferred payment basis only in small amounts and to reliable business partners.

— Foreign Currency Risk
This is the risk that the Group may incur unexpected losses due to fluctuations in foreign currency exchange rates. The Group's foreign currency risk, primarily arising from purchases in USD and GBP, is not considered material. To mitigate foreign currency risk, the Group's management regularly monitors the currency structure of its assets and liabilities to ensure balance.

— Interest Rate Risk
This is the risk that the Group may incur losses due to fluctuations in interest rates. The interest rates on existing loan agreements are fixed. Therefore, management does not consider interest rate risk to be significant.

— Liquidity Risk
This is the risk that the Group may not be able to meet its financial obligations on time. To mitigate liquidity risk, the Group's management analyses the maturity structure of its assets and liabilities and ensures liquidity by obtaining borrowings. In 2021, the Parent Company of the Group refinanced all liabilities and secured additional working capital by entering into a long-term loan agreement in the amount of EUR 7,000,000. As a result, management believes that liquidity risk is fully under control.

Use of Derivative Financial Instruments
Derivative financial instruments are not used for financial risk hedging.

Fair Value of Financial Assets and Liabilities
The fair value of financial assets and liabilities represents the amount for which an asset could be exchanged or a liability settled in a transaction between knowledgeable, willing, and financially independent parties. In the opinion of the Group's management, the fair value of financial assets and liabilities does not significantly differ from the carrying amount reported in the balance sheet. The Group does not apply fair value measurement to financial instruments.

Reporting Period

The reporting period is 3 months, from 1 January to 31 March.

Notes to the Unaudited Consolidated Financial Statements

Cash, Cash Equivalents and Transactions in Foreign Currencies

Cash and cash equivalents consist of cash on hand, balances in current bank accounts, and other short-term highly liquid investments with an original maturity of up to three months.

The figures presented in these financial statements are expressed in the official currency of the Republic of Latvia – euro (EUR).

Transactions in foreign currencies are translated into euros using the European Central Bank's reference exchange rate in effect on the transaction date.

All non-monetary asset and liability items are recorded in euros at the European Central Bank reference exchange rate effective on the transaction date. All monetary asset and liability items are translated into euros at the European Central Bank reference exchange rate as at the end of the reporting year.

Euro per one unit of foreign currency::

	31.03.2025	**31.12.2024**
USD	1.08150	1.03890
GBP	0.83536	0.82918

Gains or losses arising from foreign currency exchange rate fluctuations are recognised in the statement of profit or loss for the respective period.

Estimates and Judgements

In preparing the financial statements, management makes judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and the related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant estimates relate to the following areas:

(i) Useful life and Valuation of Property, Plant and Equipment and Intangible Assets

In the balance sheet, intangible assets and property, plant and equipment except for buildings and structures are presented at acquisition cost less accumulated depreciation. Depreciation begins on the first day of the month following the month in which the asset is placed into service and ends on the first day of the month following its removal from the group of intangible assets or property, plant and equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the respective asset.

Management estimates the useful life of individual items of property, plant and equipment and intangible assets based on the expected usage of the asset, historical experience with similar assets, and future plans. According to management's assessment, the estimated useful lives of certain property, plant and equipment and intangible assets are as follows:

Intangible Assets:	*Depreciation Period*
Trademarks	20 years
Software and Software Licences	3-10 years
Property, Plant and Equipment:	
Buildings and Structures	50 years
Equipment and Machinery	7.5 years
Vehicles	5 years
Other Property, Plant and Equipment	7.5 years
Computers and Data Storage Devices	5 years

Notes to the Unaudited Consolidated Financial Statements

In 2016, the Group recognised the trademark 'Optio' at its assessed fair value at the time of reorganisation. During the acquisition of the current Parent Company of the Group, acquisition accounting was applied by OC Invest SIA (the Group's previous parent company, which was merged with the current Parent Company through reorganisation), and identifiable intangible assets- trademarks, were recognised. An external certified valuer was engaged to determine the fair value of the trademarks.

The Group's management intends to subsequently measure the trademarks at the initially recognised fair value less accumulated amortisation and impairment, if any. The trademarks are amortised over a period of 20 years.

Leases under which the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases and are recognised under the respective item of property, plant and equipment. Non-current investments in leased assets are depreciated over the shorter of their useful life or the lease term.

Costs related to improvements of leased property are capitalised and presented as property, plant and equipment. Depreciation of these assets is calculated over the lease term using the linear method.

The appropriateness of depreciation rates is reviewed at least at the end of each reporting year.

(ii) Valuation of Buildings

The Group's consolidated balance sheet item "Land, Buildings and Structures" is presented using the revaluation method. This means that after initial recognition, buildings and structures are measured in accordance with the revaluation method- that is, buildings and structures whose fair value can be measured reliably are, after initial recognition, carried at a revalued amount equal to their fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses.

Revaluations are performed by professionally qualified valuers with sufficient regularity to ensure that the carrying amount does not differ materially from the amount that would be determined using fair value at the balance sheet date, but no less frequently than once every five years.

If a building or structure is revalued, then the entire category is revalued. As of the revaluation date, accumulated depreciation is deducted from the acquisition cost of the building or structure, or from another amount that replaces acquisition cost in the financial statements, and the carrying amount is increased or decreased to match the revalued amount.

If the carrying amount of this category of property, plant and equipment is increased as a result of revaluation, the increase, net of deferred tax effects, is recognised in equity under "Revaluation Reserve of Non-Current Assets." If the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, the increase is recognised in the statement of profit or loss for the reporting period.

If the carrying amount of an asset is decreased as a result of revaluation, the decrease is recognised in the statement of profit or loss for the reporting period. If the decrease does not exceed a previously recognised revaluation increase for the same asset under "Revaluation Reserve of Non-Current Assets," the decrease is deducted from that reserve.

Any increase included in the "Revaluation Reserve of Non-Current Assets" is reduced by the full amount of the revaluation when the revalued asset is disposed of or retired, and the reduction is recognised in the statement of profit or loss at that time.

(iii) Determination of Net Realisable Value of Inventories

Inventories are measured at the lower of cost and net realisable value. Management must make estimates of inventory value in cases where it is identified that the recoverable amount of inventories is lower than their carrying amount.

If the recoverable amount of inventories is lower than their carrying amount, the value of inventories is reduced to their net realisable value- that is, the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Unaudited Consolidated Financial Statements

Valuation of Trade Receivables

Trade receivables are measured in accordance with the prudence principle and are presented in the balance sheet at net value, which is the carrying amount less provisions for doubtful loans and trade receivables.

Provisions for doubtful trade receivables have been established based on management's individual assessment of the recoverability of each receivable.

Provisions and Accrued Liabilities

Provisions are recognised when a past event has created a present obligation or loss and the amount can be reliably estimated. The likelihood of a loss is assessed by management through judgement. To determine the amount of the loss, management must select an appropriate calculation model and make specific assumptions related to the risk.

According to the Group's management, as at the balance sheet date, there are no past events that have resulted in a present obligation or loss requiring the recognition of provisions.

As at the end of the reporting period, accrued liabilities for unused vacation days have been calculated based on the number of unused vacation days as at 31 December and the average daily salary for the last six months of the reporting year.

Revenue Recognition

Revenue from Sale of Goods
Revenue from the sale of goods is recognised in the statement of profit or loss when the risks and rewards of ownership have been transferred to the buyer.

Revenue is not recognised if, under the terms of the transaction, the Group retains significant risks associated with ownership of the goods and the goods may be returned..

Revenue from Services provided
Revenue from the provision of services is recognised in the statement of profit or loss in the period in which the services are rendered.

Interest Income
Interest income is recognised on a time-proportionate basis, taking into account the effective yield of the asset.

Non-Current and Current Items

Non-current items include amounts that are receivable, payable, or to be written off more than one year after the end of the relevant reporting year. Amounts that are receivable, payable, or to be written off within one year are presented under current items.
Liabilities to creditors are presented in the balance sheet as either non-current or current liabilities, depending on the timing of repayment or settlement. Amounts payable more than 12 months after the end of the reporting year are included under non-current liabilities. Amounts due within the next 12 months after the reporting year-end and other liabilities arising in the normal course of the business cycle are included under current liabilities.
All expenses arising from the Company's operating activities are recognised at the time they are incurred, regardless of the timing of payment.

Lease Transactions

Finance Lease
In cases where an asset is acquired under finance lease terms and the associated risks and rewards are transferred to the Group, the leased asset and corresponding lease liability are recognised in the balance sheet at amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower.

Notes to the Unaudited Consolidated Financial Statements

To calculate the present value of minimum lease payments, the discount rate used is the interest rate implicit in the lease or, if that cannot be reliably determined, the lessee's incremental borrowing rate is applied. Depreciation expenses for the leased asset and finance costs arising from the finance lease are recognised in the statement of profit or loss during the reporting period. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the leased asset is fully depreciated over the lease term or its useful life, whichever is shorter. Otherwise, the asset is depreciated over its useful life.

Operating Lease
Payments under operating leases are recognised in the statement of profit or loss on a linear basis over the lease term.

Inventory Accounting

Inventories are measured using the FIFO method. Inventories are presented in the balance sheet at acquisition (or production) cost or net realisable value, whichever is lower. Obsolete, slow-moving, or damaged inventories are valued at their net realisable value.

Costs incurred to bring inventories to their current location and condition are accounted for as follows:
- Raw materials are accounted for at purchase cost using the FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling costs. Net realisable value is presented as the cost less the recognised provisions.

Corporate Income Tax

(a) Current Tax

As of 1 January 2018, the Corporate Income Tax Law of the Republic of Latvia has introduced a new taxation regime. The taxation period is one month instead of a year, and the tax rate is 20% of the taxable base, which is calculated by dividing the value of the taxable object by a coefficient of 0.8. The taxable base includes:

- distributed profits (declared dividends, payments equivalent to dividends, deemed dividends), and
- deemed distributed profits (e.g. non-business-related expenses and other specific cases defined by law).

Undistributed profits are subject to a 0% tax rate under the law.

When distributing dividends from undistributed profits accumulated up to 31 December 2017, which were already taxed under the previous legislation, the new taxation regime does not apply to such dividends.

(b) Tax payables

In accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements, the Company may, for justified reasons, elect to depart from the Law and voluntarily recognise deferred tax. In such cases, deferred tax must be recognised, measured, and disclosed in the financial statements in accordance with International Accounting Standards as adopted by the European Union.

According to the accounting policy of the Parent Company of the Group, this option to depart from the statutory requirement is not applied, and deferred tax is not recognised in the consolidated financial statements.