AB "Civinity"

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION,
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

CONTENTS

INFORMATION ABOUT THE PARENT COMPANY

Name of the Group	AB „Civinity“
Legal form	Public limited liability company
Company code	302247881
Registered office address	Naujoji Riovonių 25B, LT-03153 Vilnius
Date of registration	13 November 2008
Registrar	State enterprise Centre of Registers
Profile of activities	Business and other management consultations
Group's financial year	Calendar year
Chief Executive Officer	Deividas Jacka
Auditors and address	PricewaterhouseCoopers UAB J.Jasinskio g. 16B LT-03163 Vilnius Telephone: (8~5) 239 2300 Fax: (8~5) 239 2301 Email: vilnius@lt.pwc.com

Independent auditor's report

To the shareholder of Civinity AB

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Civinity AB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
21 June 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report.

ANNUAL REPORT OF THE GROUP FOR THE YEAR 2020

1. Objective overview of the Group's financial position, performance and development, description of its exposure to key risks and contingencies

AB "Civinity" ("the Company") is a public limited liability company registered in the Republic of Lithuania on 13 November 2008. The address of its registered office is as follows: Naujoji Riovonių 25B, LT-03153, Lithuania. With effect from 13 March 2017, a private limited liability company Civinity was reorganised to a public limited liability company. The Company's name after the reorganisation is AB "Civinity".

The Group companies controlled by AB "Civinity" ("the Group") provide facility management, administration, engineering system maintenance and repair services, participate in renovation projects, carry out outdoor area maintenance and cleaning, provide household and waste collection and removal services. Currently the Group companies operate in Lithuania and Latvia. After significant investments into acquisitions in the Baltic countries made in 2015-2018, there were no substantial investsments in 2020. The Group's areas of activity are relatively stable and include: commercial and residential property administration and cleaning services.

The most important buildings segments, administered by the Civinity group are: residential apartment buildings, commercial buildings and public services buildings (health care and administration). The total area of buildings under the management of the Group is 4.9 million sq. m. at 31 of December, 2020 and 4.05 million sq. m. at 31 of December, 2019.

In group reached the main goals which were stated for year 2020: 16% increse in revenues and possitive group net profitability. During this year Civinity group carried on implementing confirmed organic grow strategy and was further looking for efficiency in operations and receivables management.

The Group assesses general risks relating to economical, political and social factors such as Brexit and Covid-19 and therefore it is careful in choosing markets for investments and expansion. Such factors as consumer price inflation, rising remuneration, improving consumer sentiments, demographical changes, and economic growth are considered as the most important ones for the Group's operations both in Lithuanian and Latvian markets.

Parent company AB "Civinity" managing the Group companies and provides services to the Group companies.

2.Analysis of the financial and non-financial performance, information on environmental and personnel-related issues

In 2020 the Group's consolidated revenues increased by EUR 7,22 million and amounted to EUR 51,84 milion (2019: EUR 44,62 million).

The key factor for the revenue increase in 2020 was sucesfull operations in engineering bussines segments, where Dizaja UAB managed to increase the revenues by 49% and amounted EUR 17,00 milion (2019: EUR 11,43 milion) .

The Group's net profit for 2020 amounted to EUR 1,56 million (2019: EUR -0,19 million loss). Net profit margin was equal to 3,0% in 2020 (2019 net loss margin: -0,41%).

The Group's gross profit for 2020 amounted to EUR 11,56 million (2019: EUR 9,96 million). Gross margin was equal to 22,29% in 2020 (2019 gross margin: 22,33%).

The main factors for the Group consolidated net profit improvement in 2020 were as follow: sharp increase in consolidated revenue, thus increase in gross profit (EUR 1,43 milion) and decrease in administrative expenses (EUR 0,1 m) mainly driven by less professional services hired.

3. The Group's key management personnel

As at 31 December 2020, the Group's key management personnel included the following persons:

- Deividas Jacka, Chairman of the Board and chief executive officer (since 23 December 2020),

Deividas Jacka (born in 1982) is the Chairman of the Board of Civinity AB (since 2020). He holds a Master's degree in bussines administration and executive MBA diploma. He is a member of the board at UAB Dizaja and UAB Statinių priežiūra (since 2018).

- Giedrius Eidimtas, Member of the Board, Chief operational officer (since 23 December 2020),

Giedrius Eidimtas (born in 1978) is the member of the Board of Civinity AB (since 2020) and chief executive officer at UAB Civinity LT. He holds a Master's degree in bussines administration. He is a member of the board at UAB Dizaja and chairman of the board at UAB Statinių priežiūra (since 2019).

- Andrius Bakštonas, Latvia country operations manager (since July 2020),

Andrius Bakštonas (born in 1978) is chief executive manager for Latvia country operations (since July 2020). He holds a Master's degree in social science. He is a member of the board at SIA Hausmaster, SIA Jūrmalas Namsaimnieks, SIA CS Apkope and other latvian subsidiaries.

4. Number and nominal value of the shares of the Company acquired and held by the Company or the Group companies and the percentage of authorised share capital they represent

During 2020 the Company and the Group companies neither acquired nor disposed any shares of the Company and on 31 December 2019 the Company and the Group companies held no shares of the Company. The Company does not have any other classes of shares than ordinary shares mentioned below, there are no any restrictions
of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

5. Information on branches and representative offices of the entity

The Company has nor branches neither representative offices.

6. Significant events subsequent to the end of the current financial year

From 21 January 2021 Civinity Supervisory Board ceased to exist.

On 21 January 2021 Giedrius Jakubauskas was appointed as new member of the board and on 23 January 2021 Deividas Jacka was elected as the Chairman of the board, On 06 May 2021 Edvinas Paulauskas was appointed as the Member of the Board replacing Aivaras Škėma.

0n 20 May 2021 Civinity AB signed agreement with AB "Šiaulių bankas" for 8 000 000 EUR bond emission. The first tranche of bonds emission is arranged for 4 quarter in 2021 and will be dedicated for refinancing current EUR 6.0 milions bonds. The second tranche EUR 2.0 milions group will use for investments in accordance to group growth strategy and arranged for first quater in 2022.

7. The Group's operation plans and prospects

In 2021, the Group plans further development of its business activities. The main focus will stay on the organic growth in facilities management residential and commercial bussines operations. Core revenues are expected to increase by 8% and the Group's EBITDA margin should reach 7.2%. The group plans significant investments into process effectiveness and digitalisation as well.

In 2021, the Group's management plan to operate consistently in view of improving its productivity, business efficiency and optimizing business processes. A special focus will be on cost efficiency and receivables management. It will be looked for different innovations to improve customer service and increase their satisfaction. Cost control procedures will be enforced strongly.

8. Information about the Group's research and development activities

In 2020, the Group continued to develop the facilities management information system (“FMS”) which is used internally for business processes integration and combines services order desk, services execution and statement up to invoicing and cash collection. The FMS is developed with support of IT partner NFQ systems.

In 2020, the Group continued the implementation of the "in house" invoicing system developed by the company BlueBrige Solutions UAB in the Group failities managament companies in Latvia. Group aiming unification of the main information systems what must lead to cost and reports efficiency.

9. Financial risks of the Group

The Group’s borrowings mostly comprise borrowings and finance lease liabilities bearing a variable interest rate linked with EURIBOR that expose the Group to the interest rate risk. As at 31 December 2020 and 2019, there were no financial instruments designated to control the risk of interest rate fluctuations. The Group is meeting its short term debt obligations and has the ability to pay off its short-term liabilities and is incontrol of liquidity risk, refer to note 2.1.

The Group focuses strongly on improving internal credit management processes in order to minimize bad debt losses.

Deividas Jacka
Chief Executive Officer
21 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Revenue from contracts with customers	6	51 838 150	44 618 302
Cost of sales	7	-40 281 447	-34 651 768
Gross profit		11 556 703	9 966 534
Distribution expenses	8	-492 707	-554 100
Administrative expenses	8	-9 236 918	-9 232 471
Other income		541 595	223 414
Other gains (losses) – net	9	19 350	238 079
Results from operating activities		2 388 023	641 456
Interest income		27 211	17 877
Interest expenses		-733 156	-766 255
Profit before income tax		1 682 078	-106 922
Income tax expense	10	-122 399	-86 678
Profit for the period		1 559 679	-193 600
Other comprehensive income		-	-
Total comprehensive income for the period – net of tax		1 559 679	-193 600
Profit for the period and total comprehensive income attributable to:			
Parent's shareholders		1 129 734	-198 960
Non-controlling interest		429 945	5 360
		1 559 679	-193 600

The accompanying notes on pages from 13 to 43 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	21 June 2021
Chief Financial Officer	Giedrius Jakubauskas	21 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2020	At 31 December 2019
ASSETS			
Non-current assets			
Goodwill	11	8 035 920	8 035 920
Other intangible assets	11	5 264 166	5 363 815
Property, plant, and equipment	12	424 639	487 807
Right-of-use assets	13	1 233 119	1 807 047
Other investments		21 500	24 311
Deferred income tax assets	10	313 502	160 491
Loans granted	15	16 161	16 161
Other amounts receivable		12 786	5 921
Total non-current assets		15 321 793	15 901 474
Current assets			
Inventories	16	118 152	325 920
Contract assets	18	48 043	127 011
Trade receivables	18	10 030 111	10 028 629
Other amounts receivable	18	1 617 146	1 910 770
Prepayments	19	525 018	481 428
Cash and cash equivalents	20	4 374 016	3 342 936
Total current assets		16 712 486	16 216 694
TOTAL ASSETS		32 034 279	32 118 168
EQUITY AND LIABILITIES			
Equity			
Share capital	21	100 000	100 000
Retained earnings (deficit)		2 932 218	1 766 424
Equity attributable to shareholders of the Parent		3 032 218	1 866 424
Non-controlling interest		582 815	188 929
Total equity		3 615 034	2 055 353
Liabilities			
Non-current liabilities			
Borrowings	22	58 904	5 975 439
Lease liabilities	13	762 579	1 167 671
Trade payables		122 967	123 471
Deferred income tax liability	10	22 389	81 003
Provisions		135 750	105 000
Other non-current liabilities	25	962 444	11 539
Total non-current liabilities		2 065 033	7 464 123
Current liabilities			
Borrowings	22	7 051 872	2 500 000
Lease liabilities	13	454 308	600 574
Trade payables		6 527 099	8 475 652
Contract liabilities	23	5 962 623	5 271 967
Advances received	24	443 197	1 939 653
Income tax liability		382 282	123 269
Provisions		50 000	45 000
Other current liabilities	25	5 482 831	3 642 576
Total current liabilities		26 354 212	22 598 691
Total liabilities		28 419 245	30 062 815
TOTAL EQUITY AND LIABILITIES		32 034 279	32 118 168

The accompanying notes on pages from 13 to 43 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	21 June 2021
Chief Financial Officer	Giedrius Jakubauskas	21 June 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interest	Total equity
Equity as at 1 January 2019		100 000	1 942 098	2 042 098	206 856	2 248 954
Profit (loss) for the period			-198 961	-198 961	5 360	-193 601
Total comprehensive income for the period			-198 961	-198 961	5 360	-193 601
Acquisition of minority interest			23 287	23 287	-23 287	0
Total transactions between equity holders			23 287	23 287	-23 287	0
Equity as at 1 January 2020		100 000	1 766 424	1 866 424	188 929	2 055 353
Profit (loss) for the period			1 129 734	1 129 734	429 945	1 559 679
Total comprehensive income for the period			1 129 734	1 129 734	429 945	1 559 679
Acquisition of minority interest			36 059	36 059	-36 059	0
Total transactions between equity holders			36 059	36 059	-36 059	0
Equity as at 31 December 2020		100 000	2 932 218	3 032 218	582 815	3 615 034

The accompanying notes on pages from 13 to 43 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	21 June 2021
Chief Financial Officer	Giedrius Jakubauskas	21 June 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		1 682 078	-106 922
Adjustments for non-cash expenses (income):			
Depreciation and amortisation	7,8	1 529 577	1 577 775
Loss allowances (reversal)	8	178 882	319 601
Interest expenses		733 156	766 255
Interest income		-27 211	-17 877
(Gain) loss on disposal of property, plant and equipment	9	-19 350	-238 079
Provisions		35 750	150 000
Deffered tax change			
Other gain (loss) - net		64 076	206 874
Changes in working capital			
(Increase) decrease in inventories		207 768	-104 486
(Increase) decrease in trade receivables		-1 482	-471 214
(Increase) decrease in prepayments		-43 590	392 641
(Increase) decrease in contract assets		78 968	-127 011
(Increase) decrease in other amounts receivable		285 571	458 101
(Increase) decrease in other current assets		0	0
Increase (decrease) in trade payables		-1 949 057	-31 433
Increase (decrease) in contract liabilities		690 656	478 715
Increase (decrease) in advance amounts received		-378 070	-173 819
Increase (decrease) in other amounts payable		2 591 855	-758 386
Income tax paid			
Net cash flows generated from operating activities		5 659 577	2 320 735
Cash flows from investing activities			
Purchase of intangible assets	11	-506 854	-181 571
Purchase of property, plant and equipment	12	-332 689	-266 535
Disposal of non-current assets		71 349	691 190
Loans granted		0	-15 662
Loan repayments received		8 053	50 000
Interest received		27 211	17 877
Acquisition of subsidiary, net of cash acquired	9	0	-61 900
Net cash flows used in investing activities		-732 930	233 399
Cash flows from financing activities			
Interest paid	22	-595 000	-766 255
Proceeds from borrowings			0
Repayments of borrowings	22	-2 549 564	-953 706
Lease payments	13	-751 003	-783 661
Net cash flows generated from (used in) financing activities		-3 895 567	-2 503 622
Net increase (decrease) in cash flows		1 031 080	50 513
Cash and cash equivalents at the beginning of the period		3 342 936	3 292 423
Cash and cash equivalents at end of the period	20	4 374 016	3 342 936

The accompanying notes on pages from 13 to 43 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	21 June 2021
Chief Financial Officer	Giedrius Jakubauskas	21 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.GENERAL INFORMATION

1.1.Information about the Company

AB "Civinity" ("the Company", company code 302247881) is a public limited liability company registered in the Republic of Lithuania. It was established on 13 November 2008. The Company's registered office and head office address is Naujoji Riovonių 25B, Vilnius, Lithuania. The Company's core line of business is management of subsidiaries and consulting services.

From 30 March 2020 the sole shareholder and ultimate shareholder of the Company is SIA "NORD FIN ASSET" (registration number 44103136863, adress: Dubultu prospekts 3, Jurmala, Latvia). Then SIA "Nord FIN ASSET" aquired 100% of shares of the company from Civinity OU (Former shareholder). The sole ultimate beneficiary holding a 100% ownership interest SIA "NORD FIN ASSET" is Deividas Jacka.

Members of Supervisory Board (Supervisory Board ceased to exist on 21 January 2021):
- Deividas Jacka, Member of the Supervisory Board (from 16 April 2020 until 21 January 2021) and Chairman of the Supervisory Board (from 30 April 2020 until 23 December 2020);
- Virgeda Jackaitė, member of the Supervisory Board (from 12 March 2020 until 06 January 2021);
- Domas Dargis, member of the Supervisory Board (from 28 April 2020 until 06 January 2021);
- Vitoldas Sapožnikovas, Chairman of the Supervisory Board (from 17 April 2018 until 7 April 2020);
- Jurgita Trinskienė, member of the Supervisory Board (from 17 April 2018 until 12 March 2020).

Members of Board:
- Deividas Jacka, Board Member (from 10 August 2018 until 10 April 2020 and since 23 December 2020), Chairman of Board (since 22 January 2021);
- Giedrius Eidimtas, Board Member (from 25 September 2019 until 03 August 2020 and since 23 December 2020);
- Aivaras Škėma, Board Member (since 23 December 2020);
- Giedrius Jakubauskas, Board Member (since 21 January 2021);
- Raimonda Kižienė, Board Member and Chairwomen of the Board (from 19 May 2020 until 23 December 2020);
- Gabrielius Morkūnas, Board Member (from 27 May 2020 until 23 December 2020);
- Erika Sirutytė, Board Member from 27 May 2020 until 23 December 2020);
- Rūta Lapinskienė, Board Member (from 03 August 2020 until 23 December 2020);
- Linas Obuolevičius, Board Member (from 23 January 2019 until 27 May 2020);
- Domas Dargis, Board Member (from 6 September 2019 until 27 April 2020).

From 30 September 2019 until 18 May 2020 Giedrius Eidimtas was CEO of the Company and the Group and since he was replaced by Raimonda Kižienė. Raimonda Kižienė was replaced by current CEO Deividas Jacka as of 23 December 2020.
As at 31 December 2020 and 2019, the Company's authorised share capital consisted of 100 ordinary registered shares with par value of EUR 1.000 each. All the shares of the Company have been fully paid up. The subsidiaries do not hold the Company's shares. The Company's shares are not publicly traded.
As at 31 December 2020, the Company had 21 employees (31 December 2019: 41 employees).

1.2.Information about the Group

The Group is a rapidly expanding international Group of companies providing a wide range of high quality services in the areas of real estate management, maintenance and operation. The main services related to real estate objects provided by the Group companies are as follow:
- Maintenance and administration of buildings;
- Cleaning of indoor premises and outdoor area management;
- Removal of waste;
- Heating and ventilation systems maintenance;
- Construction and repair works;
- Liquidation of accidents;
- Other.

The Group of companies successfully provides real estate facilities management services in Lithuania and Latvia.
The Group was formed through the privatisation of local facility management companies in Lithuania and later on expanded to Latvian market. In 2005, the first facility management company Vitės Valdos UAB (Klaipėda town, Lithuania) was privatised. In 2006 companies Palangos Butų Ūkis UAB and Debreceno Valda UAB were acquired from municipalities of Palanga and Klaipeda (Lithuania). In 2008 investment management and consulting services company Facilities Management UAB was established, which became a holding company that took over shares of the mentioned facilities management companies, their management and laid foundations for the formation of the Group. In 2010, the Group completed the privatisation of municipal companies Senamiesčio Ūkis UAB (Vilnius, Lithuania) and Kretingos būstas UAB (Kretinga, Lithuania) and in 2012 municipal company Būsto Valda UAB was privatised in Kaunas (Lithuania). In 2014, having won the auction on the privatisation of Latvian company Jūrmala Namsaimnieks SIA (Jurmala), the Group started its business expansion to Latvian market. Later in 2015 Facilities Management UAB was renamed to Civinty UAB and Group companies started using the new trademarks of Civinity and Civinity Solutions in addition to their company names. In 2016 Civinity UAB shareholder took decision to increase share capital of the Company and in 2017 Company's legal form was transformed from private limited liability company to public limited liability company AB "Civinity".

The Group's expansion to Latvian market took the following steps:
in 2016 Hausmaster AS, Home master SIA and CS Komercserviss SIA were acquired;
in 2017 Labo Namu Aģentūra SIA was acquired;
in 2018 SIA "VBS Serviss" and SIA ALG Cleaning were acquired;
In 2018, the Group via the joint ventures with the UAB "Partnerystės projektai P" (current name – UAB Sail Invest) acquired two companies in Lithuania - Statiniu priežiūra UAB and Dizaja UAB. These companies provide building administration and technical engineering services to a commercial and residential clients.

As at 31 December 2020 and 2019, the Group consisted of the Company and the following subsidiaries and associates:

Title of the subsidiary or associate	Country	Type of Ownership	Profile of activities	Ownership interest held at 31 December 2020	Ownership interest held at 31 December 2019
UAB "SENAMIESČIO ŪKIS"	Lithuania	direct	facility management services	100%	100%
UAB "Būsto valda"	Lithuania	direct	facility management services	100%	100%
UAB "Palangos butų ūkis"	Lithuania	direct	facility management services	99,11%	99,11%
UAB "Kretingos būstas"	Lithuania	direct	facility management services	100%	100%
UAB "DEBRECENO VALDA"	Lithuania	direct	facility management services	100%	100%
UAB "VITĖS VALDOS"	Lithuania	direct	facility management services	100%	100%
UAB "KLAIPĖDOS BENDRABUTIS"	Lithuania	direct	facility management services	81,73% [1]	70,36%
UAB "Ozo miestas"	Lithuania	direct	facility management services	100%	100%
UAB "Pastatų ūkio priežiūra"	Lithuania	direct	facility management, construction and repair services	100%	100%
UAB "Pastatų meistrai"	Lithuania	direct	facility management, construction and repair services	100%	100%
UAB "Civinity LT"	Lithuania	direct	services centre	100%	100%
UAB "Būsto administravimas"	Lithuania	direct	holding company	100%	100%
UAB "Debreceno NT"	Lithuania	direct	real estate administration	95%	95%
Jūrmalas namsaimnieks SIA	Latvia	direct	facility management services	100%	100%
CS Apkope SIA	Latvia	direct	facility management services	100%	100%
Civinity LV SIA (former CS Finance SIA)	Latvia	direct	services centre	100%	100%
CS Renovacija SIA	Latvia	Jūrmalas namsaimnieks SIA	construction and repair services	100%	100%
Hausmaster AS	Latvia	direct	facility management services	100%	100%
Home Master SIA	Latvia	direct	facility management services	100%	100%
CS Komercserviss SIA	Latvia	direct	facility management services	100%	100%
LABO NAMU AĢENTŪRA SIA	Latvia	direct	facility management services	100%	100%
SIA Viens rekins	Latvia	direct	no activities	100%	100%
SIA ALG cleaning	Latvia	direct	cleaning services	100%	100%
SIA VBS Serviss	Latvia	direct	facility management services	100%	100%
UAB "SPV 31"	Lithuania	direct	business management operations	51%	51%
UAB "SPV 32"	Lithuania	direct	business management operations	51%	51%
UAB "Statinių priežiūra"	Lithuania	UAB "SPV 31"	commercial sector facility management services	51%	51%
UAB "Dizaja"	Lithuania	UAB "SPV 32"	commercial sector facility management services	51%	51%
SIA Birznieka projekti	Latvia	direct	no activities	100%	100%

[1] 2020 11 20 AB Civinity acquired 11,37% of shares from individuals.

As at 31 December 2020, the Group had 1389 employees (31 December 2019: 1.435) employees.

The Group's management approved these financial statements on 21 June 2021

As required, management has prepared the annual financial statements which should be approved at the General Shareholders' Meeting. The shareholders have a statutory right not to approve the annual financial statements and to require preparation of a new set of the financial statements.

1.3. Changes at the Group in 2020 and 2019

Changes in 2020

On 20 November 2020 Civinity AB has signed 4 share purchase agreements with individuals to acquire additional 11,37% shares in Klaipėdos bendrabutis UAB for the total amount of 6365 EUR.

On 12 December 2020 the share capital increase of CS Komercserviss SIA by EUR 250 713 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from increasing the nominal value of the shares in the company by EUR 89 and it was paid in by the cash contributions of the Company.

Changes in 2019

On 9 January 2019 Civinity AB signed share purchase agreement according to which it acquired 100% shares of Birznieka projekti SIA. The value of acquisition is EUR 67.000 and it is paid by cash contribution. The transaction was completed on 7 February 2019. The acquired company shall participate in utility payment processing business of the Group. Acquired company Birznieka projekti SIA has no assets on the balance sheet and is carrying only EUR 77 thousand liabilities for the Group companies on the acquisition date. (Note 9)

On 30 April 2019 Civinity AB has signed the share purchase agreement to acquire additional 2% share interest in SPV 32 UAB (which owns 100% shares of Dizaja UAB) from Partnerystės Projektai P UAB for EUR 50. The transaction was completed on 30 May 2019 by paying agreed consideration in cash. After the completion the Company controls 51% interest in Dizaja UAB.

In May and June 2019 Civinity AB has signed five share purchase agreements with individuals to acquire additional 0,67% shares in Palangos butų ūkis UAB. The transactions were completed on 13 June 2019 by paying agreed considerations amount EUR 1.150 in cash.

On 7 November 2019 the share capital increase of LABO NAMU AGENTŪRA SIA by EUR 803.720 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 1 by EUR 283 and it was paid in by the cash contributions of the Company.

On 9 December 2019 the share capital increase of ALG Cleaning SIA by EUR 314.064 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 28 by EUR 54 and it was paid in by the cash contributions of the Company.

On 16 December 2019 the share capital increase of CS Komercserviss SIA by EUR 1.504.278 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 36 by EUR 534 and it was paid in by the cash contributions of the Company.

On 16 December 2019 the share capital increase of CS Apkope SIA by EUR 702.800 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 1 by EUR 251 and it was paid in by the cash contributions of the Company.

On 17 December 2019 Civinity AB sold 100 units (100 %)of shares of ART investicijos UAB for EUR 100 and 100 units (100 %) of shares of SPV-30 for EUR 100.

1.4. COVID-19 impact on the Group's activities

On March 2020, quarantine has been announced in the both countries where the Group companies operate. During the quarantine part of Group employees started to work remotely and remaining staff which are working in client's premises took special precautions. The so called "first wave" of COVID-19 did not have a significant impact on the Group companies operations and results in 2020 and group reached their budgeted goals. At the moment of issuance of these financial statements the "second wave" of coronavirus is still ongoing - Group continues to observe requirements relating to the COVID-19 pandemic, a large number of employees continue to work remotely. The Group management, assessed the potential impact of key COVID-19 factors on the Group strategic goals, cash flows, financial results and assessed that this matter will not affect the Group's results as the Group companies remained less affected by the current economic situation, except the event described below.

Due to COVID-19 business restriction especially in hotels sector, the Group company ALG cleaning SIA, which business activity is mainly hotels cleaning services, faced negative financial results and as at 31 December 2019 company made full goodwill impairment with amount of EUR 341k.
Companies within the Group are facing different levels of exposure. Companies providing administration and maintenance services, waste removal and utilities have rather fixed revenues and are not expected to experience negative effect on financial results with an exception of SIA CS Komercerviss, which had to postponed tenders for some public maintenance services due to COVID-19 caused restrictions. However, the company clients portfolio is well structured and it has already started recovering its operations. Therefore, the management does not observe requirement for additional significant provisions for receivables, as recoverability of the amounts remain stable in all the companies in 2020.

2.BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of AB "Civinity" are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

2.1.Basis of preparation

These financial statements include the Group's consolidated financial statements for the year ended 31 December 2020. The financial statements have been prepared on a going concern basis.

The Group's liquidity ratio (total current assets / total current liabilities) was approximately equal to 0,63 as at 31 December 2020 (31 December 2019: 0,71). The decrease of Group's liquidity ratio is related with borrowings carried forward of EUR 6,0 millions classified under short term liabilities (Note 22). The Group already signed and agreement with advisors company "Šiaulių bankas" for new bond emission equal to EUR 8,0 millions (Note 28). Management highly believe that emission will be successfully redeemed due to reason that the established level of interest on bonds is low compared to other issuers which issue public or non-public bond issues of similar scope in the Lithuanian market.

Also the company's trademark is well-known and the activity sector is not of a cyclical nature. Moreover, none of the companies operating in this sector have issued bonds, therefore investors demand to diversify their investment portfolios should be high. The significant part (EUR 6.0 millions) from new emission will be used for refinancing current portion of bonds. As the refinancing is highly probable these financial statements are prepared under going concern basis.

The financial statements have been prepared under the historical cost convention.

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

All amounts in the financial statements, including amounts disclosed in notes to the financial statements, are presented in the euros (EUR) unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make assumptions in the process of applying the Group's accounting policies. The areas involving important assumptions, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 'Critical accounting estimates'.

2.2. New and amended standards and their interpretations adopted by the Group

(a) Adoption of new and/or amended International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following IFRSs and amendments thereto were adopted by the Group for the first time for the financial year ended 31 December 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The amendments did not have a impact on Group's consolidated financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments did not have a material impact on Group's consolidated financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments did not have a material impact on Group's consolidated financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group does not apply hedge accounting, therefore the amendment is not relevant for the Group's consolidated financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020).

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The amendments did not have a material impact on Group's consolidated financial statements.

(b) Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Group

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

• *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

• *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

• *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

• *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

• *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

• Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendmen require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

• End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

• Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 3 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

• Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and th risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group does not apply hedge accounting, therefore the amendment is not relevant for the Group's consolidated financial statements.

(c) Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Group

- IFRS 14 Regulatory Deferral Accounts;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28;
- IFRS 17 Insurance contracts;
- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group.

2.3. Consolidation

The consolidated financial statements include the financial statements of Civinity AB and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting year as the financial statements of the parent company using the uniform accounting principles.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.6).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.4.Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded within equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5.Non-controlling interest

Non-controlling interest is the portion of the subsidiary's net results of operations and net assets, including fair value adjustments, not attributable, directly or indirectly, to the Group. Non-controlling interest represents a separate item of the Group's equity.

2.6.Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.7.Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’).

The amounts in these consolidated financial statements are presented in the euros, which is the functional and presentation currency of Civinity AB and its subsidiaries.

2.8.Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.9.Intangible assets

Goodwill

Goodwill is measured as described in note 11.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being separate companies. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Other intangible assets

Intangible assets, if they are acquired separately from the business (including computer software) are stated at cost, less subsequent accumulated amortisation and impairment losses. Cost includes the purchase price of intangible assets from a third party as well as costs for the development of intangible assets, if such assets are being developed.
Customer base acquired in a business combination value is calculated based on the future cash flow value calculation. Amortisation is calculated using the straight-line method to allocate the cost of assets over their estimated useful life, which is 3 years for patents, licences and computer software and up to 10 years for Trademark. Customer base acquired in a business combination is amortised over their estimated useful lives (residential customer base is amortised in 33 years, commercial – during the validity of signed contracts, 5 years in average). Amortisation expenses are included in administrative expenses in the statement of comprehensive income.

Subsequent expenditure is recognised in profit or loss when incurred.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from intangible assets.

2.10.Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

When components of property, plant and equipment have different useful lives, they are accounted for as separate items (main components) of property, plant and equipment.

The depreciation of property, plant and equipment is started from the date on which they are ready for their intended use.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over useful lives established as follows (in years):

- Buildings and structures	25 years
- Plant and machinery	5 years
- Motor vehicles	5 years
- Other equipment	5 years
- Other assets	5 years

Depreciation methods, useful lives and residual values are reviewed each reporting period and adjusted, if it is required due to the nature of use of non-current assets.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

Construction in progress is stated at cost. Construction in progress comprises the cost of buildings, structures and facilities and other directly attributable costs, capitalised interest. Construction in progress is not depreciated for as long as the construction works have not been completed and assets have not been brought into use.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.11.Investment property

Property held for long-term rental yields and (or) capital appreciation is classified as investment property.

Investment property is measured initially at acquisition cost, including transaction costs. After the initial recognition, investment property is carried at cost, less subsequent accumulated depreciation and impairment losses.

Subsequent costs are capitalised (included in the asset's carrying amount), only when it is probable that future economic benefits associated with them will flow to the Group and the amount of such costs can be measured reliably. All other repair and maintenance costs are recognised as expenses during the financial period in which they are incurred. If a part of investment property is replaced with the new one, the carrying amount of the replaced part is derecognised.

Investment property is derecognised upon disposal or when it is no longer used and no future economic benefits are expected from its disposal. Any gain or losses upon derecognition or disposal of investment property are included within 'Net gain (loss) from fair value changes of investment property' in the statement of comprehensive income of a respective year.

2.12.Financial assets and liabilities

Under IFRS 9, Financial Instruments, the Group classifies its financial assets into the following 3 categories: financial asset at amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss.
Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding separate instruments has no effect on the applied business model.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding individual items of instruments have no effect on the adopted business model. The Group may adopt more than one business model to manage its financial assets.

The business model for managing of financial assets is based not merely on an assertion, but also on facts that are observable in the activities that the Group undertakes in order to achieve the objectives of the business model. In determining the business model applicable for managing financial assets, the Group makes its decision in view of not individual factors or activity, but in view of all evidence that is available in the course of the assessment.

The Group recognises a financial asset in its statement of financial position only when the Group becomes a party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Group measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Group would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Group and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

Financial assets at fair value through profit or loss

The Group measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is an assumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

Credit losses incurred by the Group are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Group estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.

When granting the loan the Group assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Group adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Group records all lifetime expected credit losses of the loan. The latest point at which the Group recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due assumption.

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as a default or event that is past due for more than 90 days;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties;
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.
The lifetime expected credit losses of loans receivable and trade receivables are recognised in profit or loss through the contra account of doubtful receivables.
The Group writes off the loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

Derecognition of financial assets

The Group derecognises financial assets in case of the following:

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

•if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
•if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Group has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Group has not retained control. In all other cases, the Group has retained control.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Group does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are recognised at fair value, less transaction costs.
In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Derecognition of financial liabilities

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

2.13.Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less.

2.14.Non-financial assets

Non-financial assets are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the carrying amount of an asset exceeds its recoverable amount, impairment loss is accounted for in profit or loss. The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal is accounted for in profit or loss under the same item as impairment loss.

2.15.Inventories

Inventories are initially recorded at acquisition cost. Costs of purchased inventory are determined after deducting rebates and discounts. Subsequently inventories are recognised at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories is determined using the first-in, first-out (FIFO) method. Inventories that are no longer expected to be realised are written off.

2.16.Provisions

Provisions are recognised when the Group has a legal obligation or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. At each date of the preparation of the statement of financial position the Group assesses the existing provisions and adjusts them in order to best reflect current estimates. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.17.Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.
The Group has issued only ordinary shares.
The Group is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. No other external capital requirements have been imposed on the Group.

2.18.Leases

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, i.e. at the date at which the leased assets are available for use by the Group. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group uses recent financing received under other contracts of financial liabilities.

Lease liabilities are subsequently measured using the effective interest rate method. The lease term is a non-cancellable period of lease; periods covered by options to extend and terminate the lease (if such options exist) are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee (no residual value guarantees as at 31 December 2019), or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised (no extension options were accounted for the leases due to uncertainties as at 31 December 2019).

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. No lease incentives, initial direct costs, restoration costs or other costs were recognised for the leased assets by the Group as at 31 December 2019 and as at 31 December 2020.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. The straight-line basis was applied for depreciation of the right-of-use assets leased by the Group as at 31 December 2019 and as at 31 December 2020.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of comprehensive income.

2.19.Revenue recognition

Revenue from contracts with customers is recognised when control of the services are transferred to the clients. It is the principal in its revenue arrangements (also including subcontracting services), because it typically controls the goods or services before transferring them to the customer. More over the Group facilities management companies also are responsible for the quality of rendered services and are the owners of pricing. In Latvia the Group nets inflows and outflows of administered utilities turnovers (gas, electricity, water, heating), associated with residential houses administration activity as the Group’s companies act as agent in respect of utilities provision for its clients.

Reserve funds, accumulated from residential clients for future repairs works are not reported as the Group’s revenue but as the contract liabilities.

Revenue from contracts with customers is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from administration, maintenance, cleaning, waste removal, utility and other services

Revenue from administration, maintenance, cleaning, waste removal, utility and other services, including commision fee is recognised in the reporting period during which the services were rendered. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to one agreed performance obligation. Revenue from contracts with customers is recognised when these services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group companies, rendering services both for residential and commercial sector customers, transfer control of administration of apartment buildings and commercial facility management services, maintenance, cleaning, waste removal, utility and other services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group’s performance. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to both parties agreement.

Construction, repair works and renovation

Revenue from construction, repair works is recognised applying the percentage-of-completion method, i.e. in the period when services are rendered. The Group enters into fixed price contracts. The stage of completion is measured by reference to the construction contract costs actually incurred to the reporting date as a percentage of the total estimated costs for each construction or repair contract. The total estimated costs are remeasured in case of changes in circumstances, and any increase or decrease in recognised revenue is accounted for in the period, when the Group becomes aware of the changes in circumstances. When it is probable that the total estimated contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately. Construction contract costs are recognised as expenses in the period, when they are incurred.
The Group concluded that it transfers control over these services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group’s performance. Also, the Group’s performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. When the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, the Group recognizes revenue and expenses in relation to each repair or construction contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the contract. In such cases, Group has one agreed performance obligation.

Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Group fulfils the performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer, for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group fulfils the performance obligation under the contract.

Based on the contracts for construction and repair works, the amount of revenue recognised in respect of each contract is compared against the amount invoiced as at the end of the reporting period. In case the recognised amount of revenue is higher than the invoiced amount, the difference is accounted for as contract assets. When the invoiced amount is higher than the recognised amount of revenue, the difference is recognised as contract liabilities.

The Group receives the payments from services participants under administration and maintenance contracts which are accounted for as contract liabilities. When the administration and maintenance service is provided, but the sale invoice has not been issued yet, the amount of revenue is accounted for as contract assets.

Interest income

Interest income is recognised using the effective interest rate method.

2.20.Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

2.21.Income tax and deferred income tax

Income tax expenses comprise current income tax and deferred income tax.

Current income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to other comprehensive income or equity, in which case the deferred income tax is also accounted for in other comprehensive income or equity.

Current year income tax is calculated in accordance with tax legislation that has been enacted or substantially enacted at the end of the reporting period in the countries in which the Group and its subsidiaries operate and earn taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate applied to companies in the Republic of Lithuania was 15% in 2019 and 2020. In the Republic of Latvia starting 2018 profits are not taxed until distribution, 20% rate applied for the distributed profit. From 2010 in Lithuania tax losses may be transferred at no consideration or for an agreed consideration between the Group companies, if the set terms are fulfilled.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill; from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax losses of the companies operating in Lithuania and Latvia can be carried forward for indefinite period of time, except for losses arising from the disposal of securities and/or derivative financial instruments. In Lithuania such carrying forward of tax losses is discontinued if the Group ceases the activities that gave rise to these losses, except when the Group ceases the activities for reasons that are beyond its control. In Latvia such carrying forward of tax losses is discontinued if the Group's controlling entity change, except for the cases when the Group continues its previous activities for five upcoming years. In Lithuania losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature. With effect from 1 January 2014, in Lithuania tax losses of the previous years can be used to reduce taxable profit of the current tax year by maximum 70%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current year income tax assets against current year income tax liabilities, and when deferred income tax assets and liabilities relate to income taxes that are applied by the same fiscal authority on the same taxable entity or on different taxable entities, when there is intention to set off balances on a net basis.

In Latvia (with effect from 1 January 2018), the object of taxation is dividends rather than profit, and accordingly, there are no differences between the carrying amounts and the tax base of assets and liabilities that might result in deferred income tax assets or liabilities. Income tax on dividends is recognised as income tax expenses in the same period when the payment of dividends is declared.

2.22.Employee benefits

Social security contributions

The Group pays social security contributions to the social security fund ("the Fund") on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or other obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration various financial and individual targets, where contractually obliged or where there is a current or past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the Group management to exercise its judgement and use estimates that affect reported amounts of income and expenses, assets and liabilities, disclosure of contingent liabilities at the date of the preparation of the financial statements. Uncertainties relating to these assumptions and estimates may cause important adjustments to the carrying amounts of the related assets and liabilities in the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of goodwill

The carrying amount of the Group's goodwill is tested for impairment at each reporting date in accordance with accounting policies presented in Note 11. When testing the value of goodwill for impairment assets are grouped into the smallest group of assets that generates cash inflows through the asset's continuous use and is independent from cash flows generated by other assets or the groups of assets ("the cash generating unit" or "CGU").
The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The asset's value in use is calculated by discounting future cash flows to their present value using a pre-tax discount rate reflecting actual market assumptions regarding the time value of money and the risks specific to the asset concerned. Where the carrying amount of an asset or cash-generating unit relating to such asset exceeds its recoverable amount, impairment loss is recognised.

The carrying amount of goodwill and assumptions for impairment tests are disclosed in Note 11.

Provision for impairment of accounts receivable

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, and accrued revenue.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL, all other financial assets with no significant increase in credit risk are measured as 12-month ECL, with significant increase in credit risk – lifetime ECL:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument,
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
For further detail assessment principals refer to Note 18.

Income recognised under the percentage-of-completion method

The Group uses the percentage-of-completion method for the recognition of revenue on construction and repair contracts. The use of the percentage-of-completion method requires the Group to estimate the construction services performed by the date of the financial statement as a proportion of the total construction services to be performed. A different estimation of the percentage-of-completion with respect to main construction and repair contracts could have an effect on the financial statements.

4.FINANCIAL RISK MANAGEMENT

4.1.Financial risk factors

The Group's management is responsible for the development and monitoring of the Group's risk management system. The objective of the risk management policy at the Group is to incorporate risk management function in the Group's normal business operations and management. Risk management is the process involving the identification, assessment and control of business risks which can prevent or impede the achievement of the Group's business objectives.

The Group's risk management policy focuses on financial, operational and legal risks. Strategic risk management decisions are taken by the Board at the Group level. Operational risk management is conducted by directors of each company. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's main financial liabilities comprise borrowings, trade payables and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group holds various financial assets: trade receivables, loans granted and other amounts receivable. The Group has not used any derivative financial instruments, because, in view of management, there is no such need.

The main risks arising from financial instruments are market risk (including foreign exchange risk, cash flow and fair value interest rate risk, price risk), liquidity risk and credit risk. The risks are identified and described below.

Market risk

Cash flow and fair value interest rate risk

The Group is exposed to risk of changes in market interest rates mainly from liabilities which are subject to variable interest rates.

As at 31 December 2020 and 2019, financial liabilities and long-term debts to suppliers' subject to deferred payment schedule exposing the Group to interest rate risk were as follow:

Financial instruments subject to a variable interest rate:

	At 31 December 2020	At 31 December 2019
Financial liabilities	5 933 486	8 366 972
Financial liabilities	5 933 486	8 366 972

As at 31 December 2020 and 31 December 2019, there were no interest-free borrowings.

In December 2017 the Group non-publicly issued the bonds for the value of EUR 11 million. The issue of the bonds was subscribed by the independent funds of the Polish Investment Company "Credit Value Investments" (CVI). The par value of each bond is EUR 100 thousand, the bonds to be redeemed upon four years with semi-annual interest payment schedule and variable rate calculated as 6-month EURIBOR plus a margin of 7%.

The table below presents the sensitivity analysis of the Group's profit before tax to reasonably possible changes in variable interest rates (EURIBOR) with all other variables held constant (by assessing impact on borrowings with a variable interest rate).

There is no impact on the Group's equity, except for impact on the current year profit.

2020	Increase / decrease, pp	Impact on profit for 2020 before income tax
in EUR	1%	-59 335
in EUR	-1%	59 335

2019	Increase / decrease, pp	Impact on profit for 2019 before income tax
in EUR	1%	-83 670
in EUR	-1%	83 670

Foreign exchange risk

The Group's financial assets and liabilities as at 31 December 2020 and 2019 are denominated in the euros, therefore the Group is not exposed to foreign exchange risk.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

Liquidity risk of the Group's operations in Lithuania and Latvia is controlled at the Group level. The Group's objective is to maintain balance between the continuity and flexibility of funding using bank borrowings. Liquidity risk management consists of non-current and current liquidity risk management.

The objective of the current liquidity risk management is to meet a daily need for funds. The Group's and the Company's current liquidity is controlled by conducting monthly assessments of the liquidity condition and the need for funds.

The liquidity risk is controlled by analysing forecasts of future cash flows taking into consideration possible funding sources. Possibilities to attract necessary funds are assessed before the approval of the Group's new investment project.

The Group's liquidity ratio (total current assets / total current liabilities) was approximately equal to 0,63 as at 31 December 2020 (31 December 2019: 0,71). The decrease of Group's liquidity ratio is related with borrowings carried forward of EUR 6,0 mln classified under short term borrowings. The Group already started preparation of new bond emission equal to EUR 8,0 millions and management highly believe that emission will be sucesfully redeemed. (refer to Note 2.1).

In accordance with IFRS requirements, the Group classifies all prepayments received from households as current liabilities, as the Group does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the reporting period. Based on the historical experience and practice, the Group observes that accumulated funds from households for future construction, repair and current maintenance works can reduce year-over-year during 12-month period by only up to 10% (which in the view of Management represents best estimate of current liabilities based on the plans approved by the owners of the buildings to carry out specific works in the current year less new funds to be accumulated during the same period). The remaining 90% of the company's liability for accumulated funds paid by residents are expected to be carried forward and settled by delivering services after more than one year.

After reclassification of prepayments based on this management estimate, Group's liquidity ratio would approximately equal to 0,77, as at 31 December 2020 (31 December 2019: 0,91).

The table below summarises the contractual maturity profile of financial liabilities as at 31 December 2020 and 2019.

At 31 December 2020

Non-derivative financial liabilities	Carrying amount	Total contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Lease liabilities	1 216 887	1 375 378	154 601	403 746	817 031	0
Other borrowings	1 177 290	1 262 696	35 967	1 163 138	63 592	0
Bonds	5 933 486	6 415 344	103 836	6 311 508	0	0
Non-current trade payables subject to deferred payment schedule	122 967	400 625	2 659	7 977	53 180	336 808
Trade payables	6 527 099	6 527 099	5 738 292	443 008	345 799	0
Total	**14 977 729**	**15 981 142**	**6 035 355**	**8 329 377**	**1 279 602**	**336 808**

At 31 December 2019

Non-derivative financial liabilities	Carrying amount	Total contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Lease liabilities	364 256	385 395	60 344	120 698	204 352	0
Other borrowings	108 468	120 656	52 988	2 813	64 856	0
Bonds	8 366 971	9 515 000	165 379	2 996 136	6 353 486	0
Non-current trade payables subject to deferred payment schedule	123 471	411 261	2 659	7 977	53 180	347 444
Trade payables	8 475 653	8 475 653	7 194 726	876 063	404 863	0
Total	**17 438 818**	**18 907 963**	**7 476 096**	**4 003 686**	**7 080 737**	**347 444**

Cash flows included in the maturity analysis are not expected to arise significantly earlier or be equal to a significantly different amount.

Credit risk

Credit risk arises from cash and cash equivalents, outstanding trade receivables, contract assets, other amounts receivable and outstanding loans granted.

Before deciding on investing their own funds for the fulfilment of additional works, the building administration companies owned by the Group assess the creditworthiness and currently outstanding debts to the administrator of the owners of premises in the building for which the services or additional works will be provided and decides on the fulfilment of works at the expense of the Group and subsequent recovery of funds from clients during the established term. In the event of insufficient creditworthiness of the building, the Group companies may decide to postpone the fulfilment of works until receipt of advance payments for the services or scheduled works. This is not applicable to ordinary services provided by the administrator – administration and technical maintenance – because the provision of these services does not depend on creditworthiness of the owner of a certain house or multi-apartment building. The services are provided for common property, i.e. a building, and therefore, they cannot be suspended due to creditworthiness of clients. In rendering administration services, credit risk is managed by restricting the provision of additional works for multi-apartment buildings with low creditworthiness and demanding advance payments for future works, as well as ensuring approval of such future works from the majority of owners of the building.

The Group's aging and expected credit loss calculation procedures are disclosed in Note 18.

The outstanding debts of clients are grouped by the number of overdue days (ageing). Depending on the number of overdue days, the debtors in 2020 were administered in the following order:

- reminders and requests to cover the outstanding debts are sent to the clients who are overdue up to 60 days. Such reminders to clients are sent together with an invoice for the services rendered during the current month,
- clients who are overdue up to 90 days are suggested to agree on individual schedules for the repayment of debts,
- the cases of clients who are overdue 90 days and more are referred to the court for recognition of the debt. As soon as the court's decision is obtained, recovery of the debt is assigned to a bailiff in view of the territory of residence of the client.

Pursuant to the Lithuanian legal acts, the Group administration company is not entitled to terminate the provision of services to the owners of the entire multi-apartment building even though it has obtained a formal confirmation of the outstanding debt in respect of one owner of that building. Lithuanian and Latvian administration companies follow similar credit management principles. In order to minimize the legal costs for recognition of debt through court proceedings the debt collection companies are approached both in Lithuania and Latvia before the debt is considered for a court procedure. In individual cases, when the administration company resells water supply and heating services, such company is entitled to initiate a temporary suspension of provision of services in response to occurrence of debts of individual owners of the building with a prior written notice to the rest of the owners of that building.

Maximum exposure to credit risk is as follows:

	2020	2019
Contract assets	48 043	127 011
Trade receivables	10 030 111	10 028 629
Other amounts receivable	1 617 146	1 910 770
Loans granted	16 161	16 162
Cash and cash equivalents	4 374 016	3 342 936
Total	**16 085 477**	**15 425 508**

The credit quality of cash and cash equivalents can be assessed by reference to the external credit ratings of banks.

The ratings of the rating agencies:

Moody	2020	2019
Aa2	2 225 637	2 027 237
Aa3	181 527	0
Ba1	1 542 949	1 133 239
Baa1	255 725	82 903
Baa2	35	61
Not rated	114 686	24 924
Cash on hand	30	0
Cash in transit	53 427	74 573
Total	**4 374 016**	**3 342 936**

Although economic circumstances may impact the recoverability of contract assets, in view of management, the Group is not exposed to significant risk of incurring losses that would exceed already recognised amount of impairment.

Trade receivables impairment recognised 31 December 2020 amounted to EUR 2.275.121 (see note 18), 31 December 2019 recognized impairment was EUR 2.354.044.

Groups management tested the loans granted for impairment and estimated that the carrying amount may not be recoverable. 31 December 2019 recognized impairment was EUR 252.120 (see note 15), no additional impairment recognized as at 31 December 2020.

Cash and cash equivalents include cash and cash balances in bank accounts, therefore credit risk arising from them is minimal.

Cyber security risks

The group companies managing the data with customer data used for invoicing and internal financial information. Therefore the group prepared control and security procedures, which are continuously reviewed internally and in cooperation with government institutions. In February of 2021 the group Latvia subsidiaries server was attacked and infected by crypto virus (Ransomware origin). Considering crypto virus origin, cyber security auditors (NRD Security) suspect that attack was resulted of social engineering scam. Initially virus get into virtual system and later via domain was propagated to root server. The group security system ensures that data leak was not identified. Cyber security incident was investigated by Latvia government cyber security institution and was stated that group security policies are well effective and protect the confidential and private data leak. The expenses related to investigation, legal and professional services, notifications to customers counted EUR 47 000. The group do not suffer any losses of revenues and future cash flows and was not claimed by any individual or legal person.

To decrease further risks, enforce cyber security and prevent other vulnerabilities the group hire external cyber security company, which start reviewing data security policies, risk management policies, execute penetration test on external and internal IT infrastructure of Civinity group companies. Additionally, in scope of project will be execute ISO27001:2017 conformity assessment.

4.2.Capital management

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements, keeps respective capital ratios in order to strengthen its business and maximise return to shareholders, avoids damaging trust of investors, creditors and the market, and maintains business expansion in future.

The Group defines its capital as the authorised share capital and retained earnings.

The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. At the end of 2020 and 2019 the Group complied with the mentioned provision, but the ratio was breached by the Company. During the year 2021 Company's management forecast to restore CIvinity AB company equity ratio. The management is planning to consider different options, including dividend distribution from subsidiaries, to restore the equity ration to required level.

The Group manages its capital structure and makes the adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the policy of dividend payment to shareholders, return capital to the shareholders or issue new shares.

During 2019 the acquisition of Birznieka projekti SIA in Latvia was obtained by off-setting the outstanding liabilities of Birznieka projekti SIA to the Group companies (EUR 77 k) and cash consideration (EUR 67 k).

The terms and conditions of the bonds issued on 21 December 2017 laid down the following financial covenants:

- The ratio of consolidated Net Debt to EBITDA should be lower than 4 throughout 2017 and lower than 3.75 throughout 2018 calendar year, less than 3.5 for 2019, less than 3.25 for 2020, less than 3 for 2021 (value of debt to include 50% of “reserve funds for future works”, and only unrestricted cash to be used in the calculation of net debt) evaluated on a quarterly basis;

- for each acquisition any post-acquisition net debt (financial debt less unrestricted cash) in each of the acquired companies to be less than 3xEBITDA.

The value of consolidated Net Debt to EBITDA at 31 December 2020 was equal to 2,64 (31 December 2019 - 3,15).

The Group is monitoring consolidated Net Debt to EBITDA ratio continuously and on quarterly basis.

5. FAIR VALUE MEASUREMENT

The different levels of methods used to measure the fair value of the financial instruments (which are carried at fair value in the statement of financial position) have been defined as follow:

In determining the fair value of assets and liabilities the Group uses as much as possible inputs that are observable in the market. A fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

- The carrying amount of current trade receivable, contract assets and other accounts receivable, current trade payables, other current liabilities and current borrowings approximates their fair value.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis. The Group also has long term bonds (Note 4.1 Liquidity risk).

The carrying amount of the Group’s financial assets and liabilities as at 31 December 2020 and 2019 approximates its fair value, except for the Group’s liability to Vilnius City Municipality subject to the deferred payment schedule. The fair value of this liability is EUR 400.625, as compared to its carrying amount of EUR 122.967.

Trade and other amounts receivable, borrowings and trade and other amounts payable are attributed to Level 3 of the fair value hierarchy, and cash and cash equivalents are attributed to Level 1. There are no financial assets or financial liabilities that would be attributed to Level 2 of the fair value hierarchy.

6. REVENUES

Revenue from contracts with customers	2020	2019
Administration and maintenance services	24 350 935	22 674 761
Waste removal and utilities	765 817	1 833 378
Renovation, construction and repair works	26 661 829	20 106 551
Other revenue	59 569	3 612
	51 838 150	44 618 302

Revenue from contracts with customers by the type of buildings, 2020	Commercial	Residential	Total
Administration and maintenance services	5 502 277	18 848 658	24 350 935
Waste removal and utilities	6 523	759 294	765 817
Renovation, construction and repair works	18 910 405	7 751 424	26 661 829
Other revenue	11 840	47 729	59 569
	24 431 045	27 407 105	51 838 150

Revenue from contracts with customers by the type of buildings, 2019	Commercial	Residential	Total
Administration and maintenance services	6 962 899	15 711 862	22 674 761
Waste removal and utilities	304 826	1 528 552	1 833 378
Renovation, construction and repair works	13 085 720	7 020 831	20 106 551
Other revenue	1 800	1 812	3 612
	20 355 245	24 263 057	44 618 302

Revenue from contracts with customers by the regional breakdown, 2020	Lithuania	Latvia	Other	Total
Administration and maintenance services	8 825 622	15 525 314		24 350 935
Waste removal and utilities	753 384	12 433		765 817
Renovation, construction and repair works	24 348 539	2 313 290		26 661 829
Other revenue	9 502	50 067		59 569
	33 937 047	17 901 103	0	51 838 150

Revenue from contracts with customers by the regional breakdown, 2019	Lithuania	Latvia	Other	Total
Administration and maintenance services	7 712 248	14 962 218	295	22 674 761
Waste removal and utilities	800 598	1 032 780		1 833 378
Renovation, construction and repair works	17 479 081	2 627 469		20 106 550
Other revenue	0	3 612		3 612
	25 991 927	18 626 079	295	44 618 301

7. COST OF SALES

Costs of Sales	2020	2019
Wages, salaries and social security contributions	14 508 542	13 602 182
Subcontracting	14 473 345	11 604 473
Utilities	1 757 766	791 452
Materials, inventories and consumables used	9 460 709	8 135 984
Other costs	81 085	517 676
	40 281 447	34 651 768

Costs of Sales by the type of buildings, 2020	Commercial	Residential	Total
Wages, salaries and social security contributions	6 471 848	8 036 694	14 508 542
Subcontracting	6 711 180	7 762 165	14 473 345
Utilities	80 810	1 676 956	1 757 766
Materials, inventories and consumables used	8 377 757	1 082 952	9 460 709
Other costs	46 894	34 191	81 085
	21 688 489	18 592 958	40 281 447

Costs of Sales by the type of buildings, 2019	Commercial	Residential	Total
Wages, salaries and social security contributions	6 312 688	7 289 494	13 602 182
Subcontracting	5 085 471	6 519 002	11 604 473
Utilities	0	791 452	791 452
Materials, inventories and consumables used	6 631 308	1 504 676	8 135 984
Other costs	197 022	320 655	517 676
	18 226 489	16 425 279	34 651 768

Costs of Sales by the regional breakdown, 2020	Lithuania	Latvia	Total
Wages, salaries and social security contributions	7 369 498	7 139 044	14 508 542
Subcontracting	9 985 102	4 488 243	14 473 345
Utilities	1 225 041	532 725	1 757 766
Materials, inventories and consumables used	8 750 869	709 840	9 460 709
Other costs	26 133	54 952	81 085
	27 356 643	12 924 804	40 281 447

Costs of Sales by the regional breakdown, 2019	Lithuania	Latvia	Total
Wages, salaries and social security contributions	6 505 271	7 096 912	13 602 183
Subcontracting	6 500 213	5 104 260	11 604 473
Utilities	791 415	38	791 453
Materials, inventories and consumables used	7 036 571	1 099 413	8 135 984
Other costs	383 142	134 534	517 676
	21 216 612	13 435 157	34 651 769

8. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Expenses	2020	2019
Distribution expenses		
Marketing and selling expenses	492 707	554 100
Administrative expenses		
Employee benefits	4 545 054	4 015 842
Depreciation and amortisation	1 477 874	1 544 749
Professional services	1 624 481	1 726 463
Allowance for bad debts	178 882	319 601
Transport expenses	371 034	44 201
Premises administration and maintenance	169 228	289 428
Other expenses	870 364	1 292 186
Total administrative expenses	9 236 918	9 232 470
	9 729 625	9 786 570

Distribution and administrative expenses by the regional breakdown, 2020	Lithuania	Latvia	Other	Total
Distribution expenses				
Marketing and selling expenses	77 812	269 485	145 410	492 707
Administrative expenses				
Employee benefits	1 299 069	1 947 050	1 298 936	4 545 054
Depreciation and amortisation	374 811	652 619	450 444	1 477 874
Professional services	284 706	591 103	748 672	1 624 481
Allowance for bad debts	155 029	23 366	487	178 882
Transport expenses	36 212	108 635	226 187	371 034
Premises administration and maintenance	6 716	137 268	25 244	169 228
Other expenses	416 113	407 525	46 726	870 364
Total administrative expenses	2 572 656	3 867 567	2 796 695	9 236 918
	2 650 469	4 137 051	2 942 105	9 729 625

Distribution and administrative expenses by the regional breakdown, 2019	Lithuania	Latvia	Other	Total
Distribution expenses				
Marketing and selling expenses	223 445	267 828	62 828	554 100
Administrative expenses				
Employee benefits	1 224 631	1 985 479	805 731	4 015 842
Depreciation and amortisation	451 085	869 040	224 624	1 544 749
Professional services	494 773	661 959	569 731	1 726 463
Allowance for bad debts	171 059	148 543	0	319 601
Transport expenses	-97 062	92 891	48 372	44 202
Premises administration and maintenance	27 628	219 154	42 646	289 428
Other expenses	659 119	249 338	383 729	1 292 185
Total administrative expenses	2 931 233	4 226 403	2 074 835	9 232 470
	3 154 678	4 494 231	2 137 662	9 786 571

9. OTHER GAINS (LOSSES)

	2020	2019
Gain from sold non current assets	19 350	375 537
Loss from acquisition of subsidiary	0	-137 458
Total other gains (losses)	19 350	238 079

On 9 January 2019 Civinity AB signed share purchase agreement according to which it acquired 100% shares of Birznieka projekti SIA. The value of acquisition is EUR 67.000 and it is paid by cash contribution. Acquired company Birznieka projekti SIA has no assets on the balance sheet and is carrying only EUR 77 thousand liabilities for the Group companies on the acquisition date. The Group recognized EUR 137 458 loss from this transaction.

10. INCOME TAX

Income tax expenses and income, and the components of assets and liabilities:

Components of income tax (expenses) income	2020	2019
Current year income tax expenses	-336 647	-179 223
Deferred income tax (expenses) income	214 248	92 545
Income tax (expenses) income recognised in profit or loss	-122 399	-86 678

There are no income tax expenses (income) recognised in other comprehensive income or directly in equity. Deferred income tax assets are recognised to the extent that is probable that these assets will be realised in future periods. Deferred income tax assets were calculated using a tax rate of 15 per cent.

The movement in deferred income tax assets and liabilities of the Group during 2020 is as follows:

	Balance at 31 December 2019	Recognised in profit or loss during the year	Acquisition of subsidiary	Balance at 31 December 2020
Deferred income tax assets				
Accruals	98 176	77 444	0	175 620
Bad debts	28 473	-1 396		27 077
Other various temporary differences	55 183	75 135		130 317
Recognised deferred income tax assets	181 832	151 182	0	333 014
Assets netted against liability of the same legal en	-21 341	1 829		-19 512
Deferred income tax assets – net	160 490	153 011	0	313 502
Deferred income tax liabilities				
Non current assets	-102 344	60 443	0	-41 901
Recognised deferred income tax liabilities	-102 344	60 443	0	-41 901
Liability netted against assets of the same legal entities	21 341	-1 829		19 512
Deferred income tax liabilities – net	-81 003	58 613	0	-22 389

The movement in deferred income tax assets and liabilities of the Group during 2019 is as follows:

	Balance at 31 December 2018	Recognised in profit or loss during the year	Acquisition of subsidiary	Balance at 31 December 2019
Deferred income tax assets				
Accruals	74 971	23 205	0	98 176
Bad debts	0	28 473		28 473
Other various temporary differences	0	55 183		55 183
Recognised deferred income tax assets	74 971	106 861	0	181 832
Assets netted against liability of the same legal entities	-350	-20 991		-21 341
Deferred income tax assets – net	74 621	85 869	0	160 490
Deferred income tax liabilities				
Non current assets	-88 887	-13 457	0	-102 344
Recognised deferred income tax liabilities	-88 887	-13 457		-102 344
Liability netted against assets of the same legal entities	350	20 991		21 341
Deferred income tax liabilities – net	-88 537	7 534		-81 003

The total amount of income tax expenses can be reconciled to the theoretical amount of income tax using the Group's income tax rates as follows:

	2020	2019
Profit (loss) before income tax	1 682 078	-106 922
Income tax expenses calculated using a tax rate of 15%	-252 312	16 038
Expenses not deductible for tax purposes	-84 335	-101 555
Not recognized deferred tax assets	0	0
Different tax rate in Latvia	214 247	-1 161
Written off deferred tax asset and derecognised liabilities	0	0
Income tax expenses recognised in the statement of comprehensive income	-122 399	-86 678

11. INTANGIBLE ASSETS

	Goodwill	Other intangible assets: Trademark	Other intangible assets: Computer software, licences	Other intangible assets: Customer base	Total
Cost					
Balance at 31 December 2018	**8 377 381**	**0**	**729 376**	**5 653 090**	**14 759 847**
Additions			181 571		181 571
Reclassifications to the right-of-use assets			-26 500		-26 500
Balance at 31 December 2019	**8 377 381**	**0**	**884 446**	**5 653 090**	**14 914 917**
Additions		360 215	146 639		506 854
Disposals and write-offs			-89 310		-89 310
Balance at 31 December 2020	**8 377 381**	**360 215**	**941 776**	**5 653 090**	**15 332 461**
Accumulated amortisation					
Balance at 31 December 2018	**0**	**0**	**70 488**	**580 835**	**651 323**
Amortisation charge for the year			232 236	312 245	544 481
Write-offs	341 461				341 461
Reclassifications to the right-of-use assets			-22 083		-22 083
Balance at 31 December 2019	**341 461**	**0**	**280 641**	**893 080**	**1 515 182**
Amortisation charge for the year			294 008	312 245	606 253
Disposals and write-offs			-89 059		-89 059
Balance at 31 December 2020	**341 461**	**0**	**485 589**	**1 205 325**	**2 032 376**
Net book amount					
Balance at 31 December 2018	**8 377 381**	**0**	**658 888**	**5 072 255**	**14 108 524**
Balance at 31 December 2019	**8 035 920**	**0**	**603 805**	**4 760 010**	**13 399 735**
Balance at 31 December 2020	**8 035 920**	**360 215**	**456 186**	**4 447 765**	**13 300 085**

Customer base intangible assets comprise the following assets:

	Client base	Acquisition date	Acquisition value, EUR	Net book amount, EUR	Remaining useful lives, years
Jūrmalas Namsaimnieks SIA	Residential sector	2014.12.19	1 150 515	941 331	28
Hausmaster AS	Residential sector	2016.07.28	2 199 259	1 910 468	30
CS Komercserviss SIA	Residential sector	2016.09.21	376 076	328 592	30
CS Komercserviss SIA	Commercial clients	2016.09.21	237 843	1	0
SIA Labo Namu Agentūra	Residential sector	2017.04.30	843 928	750 157	31
SIA Labo Namu Agentūra	Commercial clients	2017.04.30	243 298	92 403	3
SIA ALG cleaning	Commercial clients	2018.02.13	86 764	37 597	3
SIA VBS Serviss	Residential sector	2018.03.01	308 841	282 324	32
SIA VBS Serviss	Commercial clients	2018.03.01	22 022	9 544	3
UAB Statinių priežiūra	Commercial clients	2018.07.31	184 545	95 348	3
Total			**5 653 091**	**4 447 765**	

Amortisation charge of the Group's intangible assets is included in administrative expenses (note 8).

Goodwill recognised at the Group arose from the acquisition of the companies indicated in the table below. Goodwill is attributable to the potential synergies and increased market share.

	Goodwill as at 31 December 2020	Goodwill as at 31 December 2019
Vitės Valdos UAB	38 316	38 316
Palangos butų ūkis UAB	463 994	463 994
Debreceno Valda UAB	310 520	310 520
Senamiesčio Ūkis UAB	665 943	665 943
Būsto Valda UAB	422 142	422 142
Klaipėdos Bendrabutis UAB	451 187	451 187
Jūrmalas Namsaimnieks SIA	283 052	283 052
Ozo Miestas UAB	68 637	68 637
Hausmaster AS	1 850 145	1 850 145
Home Master SIA	38 223	38 223
CS Komercserviss SIA	1 158 064	1 158 064
VBS Serviss SIA	918 925	918 925
Statinių priežiūra UAB	719 650	719 650
Dizaja UAB	647 121	647 121
Total goodwill	**8 035 920**	**8 035 920**

Goodwill is attributed to cash-generating units of the Civinity Group. Each entity in the table above is a separate cash generating unit to which the goodwill is allocated.

As at 31 December 2020 and 2019 the Group's management tested goodwill for impairment in accordance with the principles below. Goodwill was tested for impairment using the value-in-use approach.

Impairment test 2020

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2021–2025 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2021	Revenue in 2025	Gross profit margin in 2021, (%)	Gross profit margin in 2025, (%)
Vitės Valdos UAB	1 998 438	2 141 760	21,18%	21,18%
Debreceno Valda UAB	1 470 847	1 545 723	20,53%	20,53%
Palangos Butų Ūkis UAB	538 773	601 518	19,50%	19,50%
Senamiesčio Ūkis UAB	3 407 097	3 759 903	16,04%	16,54%
Būsto Valda UAB	5 950 148	6 376 875	18,19%	18,19%
Klaipėdos Bendrabutis UAB	1 326 404	1 421 530	16,71%	16,71%
Jūrmalas Namsaimnieks SIA	4 910 260	5 633 321	41,94%	46,01%
Ozo Miestas UAB	645 804	692 119	13,35%	13,35%
Hausmaster AS	6 050 064	6 940 967	20,56%	20,56%
Home Master SIA	95 682	121 741	32,68%	39,97%
CS Komercserviss SIA	6 208 494	7 122 726	13,35%	13,59%
Labo Namu Agentūra SIA	855 010	1 184 672	24,96%	31,00%
VBS serviss SIA	516 418	581 069	26,24%	32,66%
Statinių priežiūra UAB	3 272 780	4 365 970	17,13%	17,13%
Dizaja UAB	19 002 438	19 178 913	8,29%	6,87%
	56 248 657	**61 668 808**	**16,24%**	**17,28%**

- The final value beyond 2025 was calculated using the terminal value growth rate of 0,5%.
- Projected cash flows were discounted using a discount rate of 6,95%.

For none of the rest of the Group companies impairment was recognized, as the estimated recoverable value of goodwill attributable to the controlled companies exceeded the carrying amount of this asset.

Impairment test 2019

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2020–2024 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2020	Revenue in 2024	Gross profit margin in 2020, (%)	Gross profit margin in 2024, (%)
Vitės Valdos UAB	1 514 335	1 737 329	23,06%	23,06%
Debreceno Valda UAB	1 318 406	1 512 549	20,03%	20,03%
Palangos Butų Ūkis UAB	388 190	452 279	23,51%	23,51%
Senamiesčio Ūkis UAB	2 930 171	3 361 653	17,21%	17,21%
Būsto Valda UAB	5 206 575	5 973 270	18,94%	18,94%
Klaipėdos Bendrabutis UAB	1 432 871	1 643 869	16,11%	16,11%
Jūrmalas Namsaimnieks SIA	3 946 584	4 655 353	45,74%	49,18%
Ozo Miestas UAB	679 723	779 816	15,03%	15,03%
Hausmaster AS	6 424 347	7 359 196	23,07%	20,05%
Home Master SIA	140 599	150 812	31,80%	42,16%
CS Komercserviss SIA	5 108 777	6 210 909	9,37%	17,39%
Labo Namu Agentūra SIA	1 080 258	1 152 985	27,62%	32,33%
ALG cleaning SIA	745 903	1 418 790	6,00%	7,00%
VBS serviss SIA	517 706	593 941	42,36%	42,36%
Statinių priežiūra UAB	2 896 800	4 241 205	17,91%	17,91%
Dizaja UAB	17 000 000	24 889 700	7,92%	7,92%
	51 331 247	**66 133 657**	**17,08%**	**17,03%**

- The final value beyond 2024 was calculated using the terminal value growth rate of 0,5%.
- Projected cash flows were discounted using a discount rate of 6,85%.

Based on the recoverability test performed impairment for full goodwill amount (EUR 341 k) was recognised for ALG Cleaning SIA as at 31 December 2019. For none of the rest of the Group companies impairment was recognized, as the estimated recoverable value of goodwill attributable to the controlled companies exceeded the carrying amount of this asset.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Cost									
Balance at 31 December 2018	**95 598**	**2 413 281**	**455 870**	**902 601**	**450 757**	**7 600**	**264 090**	**80 111**	**4 669 908**
Additions	0	0	4 953	180 973	210 390	0	16 227	0	412 543
Disposals and write-offs	-60 798	-140 254	-52 304	-338 488	-63 775	0	-31 222	-80 111	-766 952
Reclassifications to the right-of-use assets			-65 168	-687 634					-752 802
Balance at 31 December 2019	**34 800**	**2 273 027**	**343 351**	**57 452**	**597 372**	**7 600**	**249 095**	**0**	**3 562 697**
Additions	0	8 355	0	127 277	116 771	0	80 286	0	332 689
Assets acquired during business combination									0
Disposals and write-offs	-27 000	-2 227 933	-4 186	-39 579	-297 176	-7 600	-53 446	0	-2 656 919
Balance at 31 December 2020	**7 800**	**53 449**	**339 165**	**145 150**	**416 967**	**0**	**275 935**	**0**	**1 238 467**

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Accumulated depreciation									
Balance at 31 December 2018	**22 378**	**2 260 705**	**331 311**	**275 065**	**247 226**	**0**	**193 242**	**49 881**	**3 379 807**
Depreciation	0	89 801	41 600	155 735	177 341	0	34 625	5 008	504 110
Disposals and write-offs	-22 378	-89 788	-22 035	-232 739	-132 045	0	-29 724	-54 889	-583 598
Reclassifications to the right-of-use assets			-37 377	-188 054	0	0	0	0	-225 430
Balance at 31 December 2019	**0**	**2 260 718**	**313 499**	**10 007**	**292 522**	**0**	**198 144**	**0**	**3 074 890**
Depreciation	0	7 476	11 352	210 861	82 959	0	86 819	0	399 467
Disposals and write-offs	0	-2 247 843	-3 565	-101 243	-263 624	0	-44 255	0	-2 660 530
Balance at 31 December 2020	**0**	**20 352**	**321 286**	**119 624**	**111 856**	**0**	**240 708**	**0**	**813 827**

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Net book amount									
31 December 2018	73 220	152 577	124 559	627 536	203 531	7 600	70 848	30 230	1 290 101
31 December 2019	34 800	12 309	29 852	47 445	304 850	7 600	50 951	0	487 807
31 December 2020	7 800	33 098	17 879	25 526	305 110	0	35 227	0	424 640

Depreciation is included in administrative expenses.

The property (excluding real estate, including future assets) of the Group companies: UAB Būsto valda, UAB Senamiesčio ūkis, UAB Vitės valdos, UAB Debreceno valda, UAB Palangos butų ūkis, UAB Pastatų meistrai, SIA Jūrmalas Namsaimnieks, AS Hausmaster, SIA CS Komercserviss, SIA Labo namu agentūra and SIA CS Apkope, are pledged as the security for the bonds issued (note 22).

Group's property, plant and equipment with the acquisition cost of EUR 399.672 as at 31 December 2020 (31 December 2019: EUR 752.592) were fully depreciated but still in use.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (LEASES)

The balance sheet shows the following amounts relating to leases:

	2020	2019
Right-of-use assets		
Buildings	549 730	833 076
Plant and machinery	17 033	27 791
Vehicles	662 113	941 763
Others	4 243	4 417
	1 233 119	1 807 047
Lease liabilities		
Current	454 308	600 573
Non-current	762 579	1 167 671
	1 216 887	1 768 244

Additions to the right-of-use assets during the 2020 financial year were EUR 80.691 (2019 - EUR 1.237.923).

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:	2020	2019
Depreciation charge of right-of-use assets		
Buildings	306 367	187 825
Equipment	10 758	21 515
Vehicles	200 616	397 153
Others	6 116	8 833
	523 856	615 327
Interest expense (included in finance cost)	118 953	90 511
Expense relating to short-term leases (included in administrative expenses)	-	44 657
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-
	118 953	135 168

The total cash outflow for leases in 2020 was EUR 751.003 (in 2019 was EUR 783.661).

14. BUSINESS COMBINATIONS

There were no business combinations in 2019 and 2020.

15. LOANS GRANTED

The breakdown of loans granted to third parties after one year:

Debtor	Repayment date	Interests rate	At 31 December 2020	At 31 December 2019
City Gold Capital	2021.05.03	6,75%	181 295	181 295
City Development OOO	2021.05.03	3,50%	47 926	47 925
ESG Baltic OU	2021.05.03	5%	22 900	22 900
OU Civinity	2021.12.31	7%	16 162	16 162
Indrė Liaudaitytė – Jablonskienė	2020.12.31	5%	0	8 053
Total loans granted after one year			**268 283**	**276 335**
Expected credit loss			-252 120	-252 120
Total loans granted after one year			**16 163**	**24 215**
Non current			0	16 162
Current			16 162	8053
Total loans granted			**16 162**	**24 215**

The fair value of loans receivable approximates their carrying amount. The interest rates of loans are reviewed at the end of each financial year and adjusted in line with market rates changes, therefore it was concluded that their fair value approximates carrying amount. The fair values of non-current loans are based on discounted cash flows using a current interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

Loans granted movement in year 2020 and 2019 is disclosed in the table below:

	2020	2019
Beginning of the year	24 215	368 279
Proceeds from loans granted	0	0
Loan offset by acquisition of subsidiary as non monetary transaction	0	-29 500
Interest charged	0	0
Interest received	0	0
Loans repayment	-8 053	-50 000
Loans granted	0	15 662
Expected credit losses	0	-252 120
Write off's	0	-28 106
End of the year	16 162	24 215

16. INVENTORIES

	At 31 December 2020	At 31 December 2019
Inventories		
Raw materials	101 675	288 636
Consumables held for resale	16 477	37 284
Total inventories	**118 152**	**325 920**

17. FINANCIAL INSTRUMENTS BY CATEGORY

	At 31 December 2020	At 31 December 2019
Financial assets at amortised cost		
Loans granted and other amounts receivable after one year	28 947	22 083
Trade receivables, other receivables and contract assets	11 695 299	12 066 409
Cash and cash equivalents	4 374 016	3 342 936
Total	**16 098 263**	**15 431 428**

Financial liabilities at amortised cost	At 31 December 2020	At 31 December 2019
Borrowings	7 110 776	8 475 439
Lease liabilities	1 216 887	1 768 246
Trade payables	6 650 066	8 599 123
Other current liabilities, except for taxes, prepayments and employee benefits	1 418 891	1 096 523
Total	**16 396 620**	**19 939 330**

18. TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER AMOUNTS RECEIVABLE

	At 31 December 2020	At 31 December 2019
Trade receivables		
Trade receivables from commercial	4 598 704	4 644 550
Amounts receivable from residential	7 706 528	7 738 123
Expected credit losses	-2 275 121	-2 354 044
Trade receivables, net	**10 030 111**	**10 028 629**
Contract assets	**48 043**	**127 011**
Receivables from administered utilities contracts - not invoiced	1 473 789	1 722 447
Other amounts receivable	143 357	188 323
Other amounts receivable, net	**1 617 146**	**1 910 770**
Total	**11 695 300**	**12 066 410**

Movement in impairment during the financial year for amounts receivable under contracts with clients:

	2020	2019
In the beginning of the reporting period (1 January)	**-2 354 044**	**-1 680 097**
Writeoffs	257 805	
Reversal (increase) of provisions	-178 882	181 865
At the end of the reporting period (31 December)	**-2 275 121**	**-2 354 044**

Expected credit loss

Measurement of ECL - trade receivables from residential and commercial clients, contract assets and receivables from administered utilities contracts - not invoiced.

The Group applies the simplified approach for calculation of lifetime expected credit losses using the provision matrix for all trade receivables and receivables from administered utilities contracts - not invoiced except for receivables from commercial, based on Group’s management decision. To measure the expected credit losses using provision matrix, trade receivables are split into separate pools, based on shared credit risk characteristics. Receivables in each pool are grouped according to payment delay days and loss rates are applied to each delay group. The loss rates are calculated using statistical recovery information from the last 5 years and adjusted if considered necessary taking into account forward looking information. The table below shows expected credit loss information calculated for the Group according to each delay group. As trade receivables usually do not include any collateral or other credit enhancements, expected loss rate equals probability of default.

Trade receivables

31 December 2020

Residential Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	1,83%	8,43%	8,47%	8,51%	18,58%	21,93%	44,90%	
Gross carrying amount	2 393 436	148 887	65 114	50 268	63 925	338 383	1 977 705	5 037 716
Loss allowance provision	-43 689	-12 552	-5 517	-4 278	-11 879	-74 191	-887 927	-1 040 033

31 December 2020

Residential Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	1,20%	4,41%	6,50%	7,97%	9,84%	11,68%	36,49%	
Gross carrying amount	306 542	70 091	55 513	50 728	73 356	190 373	1 922 209	2 668 811
Loss allowance provision	-3 677	-3 094	-3 607	-4 046	-7 215	-22 239	-701 344	-745 221

31 December 2020

Commercial Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,00%	0,72%	2,40%	2,55%	4,16%	2,38%	47,26%	
Gross carrying amount	3 066 509	39 354	9 611	5 401	16 707	89 654	882 016	4 109 251
Loss allowance provision	-15	-282	-230	-138	-694	-2 136	-416 826	-420 321

31 December 2020

Commercial Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,44%	4,99%	4,99%	13,08%	13,00%	22,61%	44,12%	
Gross carrying amount	267 735	35 656	11 001	8 569	16 057	16 507	133 928	489 453
Loss allowance provision	-1 184	-1 780	-549	-1 121	-2 087	-3 732	-59 092	-69 546

31 December 2019

Residential Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	1,50%	5,90%	9,03%	11,45%	13,62%	17,13%	40,21%	
Gross carrying amount	1 490 870	323 977	171 231	69 611	110 121	294 362	2 050 418	4 510 590
Loss allowance provision	-22 363	-19 114	-15 465	-7 972	-15 002	-50 429	-824 507	-954 853

31 December 2019

Residential Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	2,21%	6,79%	10,22%	12,91%	15,38%	19,44%	44,66%	
Gross carrying amount	664 184	167 136	126 039	97 109	191 436	264 348	1 717 281	3 227 533
Loss allowance provision	-14 705	-11 341	-12 879	-12 534	-29 450	-51 391	-766 893	-899 192

31 December 2019

Commercial Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,16%	5,00%	5,00%	13,00%	13,00%	23,00%	45,31%	
Gross carrying amount	3 075 985	39 067	26 089	26 009	42 171	69 817	855 886	4 135 023
Loss allowance provision	-4 802	-1 954	-1 304	-3 381	-5 482	-16 058	-387 834	-420 815

31 December 2019

Commercial Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,16%	5,00%	5,00%	13,00%	13,00%	23,00%	47,88%	
Gross carrying amount	281 359	8 713	11 598	3 433	10 178	68 504	125 741	509 527
Loss allowance provision	-439	-436	-580	-446	-1 323	-15 756	-60 204	-79 184

The Group uses provision matrix and individual assessment model for determining ECL for trade receivables from commercial. By applying the provision matrix, the loss rates are calculated using statistical recovery information from the last 3 years (when available) and adjusted if considered necessary taking into account forward looking information. Trade receivables from commercial using individual assessment is based on combination of indicators: the debt aging, information from courts, bailiffs, bankruptcy administrators and other urgent information. If information from courts, bailiffs, bankruptcy administrators, communication with the client and other urgent information is received, the individual assessment model is started to be applied.

Expected changes in macroeconomic situation is incorporated as part of the internal rating model. The Group's management reviews key macroeconomic indicators for the markets where Group's debtors are operating and determines if there are expected significant changes that would effect ECL.

Receivables from administered utilities contracts - not invoiced and contract assets

The receivables from administered utilities contracts - not invoiced relate to reinvoiced receivables for utilities and contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the receivables from administered utilities contracts - not invoiced and contract assets. However the Group did not recognise a loss allowance for receivables from administered utilities contracts - not invoiced and contract assets because an amount of expected credit loss was immaterial (classified as "Not past due).

19. PREPAYMENTS

Prepayments	At 31 December 2020	At 31 December 2019
Prepayments	446 300	597 593
Deferred expenses	326 071	133 181
Expected credit losses for prepayments	-247 353	-249 347
Total prepayments	**525 018**	**481 428**

20. CASH AND CASH EQUIVALENTS

	At 31 December 2020	At 31 December 2019
Cash on hand	30	0
Cash in transit	53 427	74 573
Cash at bank	4 320 559	3 268 363
Cash and cash equivalents	**4 374 016**	**3 342 936**

The Group cash and cash equivalents, were pledged to secure the fulfilment of the Group's liabilities according to the bonds issued (note 22).

21. SHARE CAPITAL AND LEGAL RESERVE

Share capital

As at 31 December 2020 and 31 December 2019, the Group's authorised share capital consisted of 100 ordinary registered shares with par value of EUR 1.000 each. All shares are fully paid-up.

The Company's Articles of Association do not provide for any restrictions of shareholders' rights to shares or any derivative control rights. The Company has not issued any convertible securities, exchangeable securities or guarantee securities. As at 31 December 2020 and 31 December 2019, there were no unfulfilled acquisition rights or commitments to increase authorised share capital.

Pursuant to the Lithuanian and Latvian Law on Companies the shareholders' equity should not be lower than 50 per cent of the company's share capital registered in the Articles of Association.

At 31 of December 2019 not all the Group companies met this criteria. At 31 of December 2019 Viens Rekins SIA, CS Renovacija SIA, VBS Serviss SIA, Birznieka projekti SIA, UAB "Ozo miestas", UAB "Kretingos būstas", UAB "Senamiesčio ūkis" breach this requirement.

At 31 of December 2020 CS Renovacija SIA, Birznieka projekti SIA, UAB "Ozo miestas", AB "Civinity", UAB "Pastatų ūkio priežiūra", CS Apkope SIA breach this requirement. AB "Civinity" as the controlling shareholder of these companies was aware that the Group companies were not meeting the requirement due to the Group strategy to separate facility management operations from the construction and maintenance activities. The management of the Group and the companies, which temporarily are not meeting the requirements, prepared and are implementing the plan for recovery of equity:

Group Companies CS Renovacija SIA, Birznieku projekti SIA, UAB "Ozo miestas, UAB "Pastatų ūkio priežiūra" acting as building renovation (modernization) projects management companies and according management estimation and plans the modernization projects portfolio will increase and reached profitability will ensure enough level of equity.
CS Apkope SIA is facilities management works performing company for other Group Latvian companies. In 2021 it is planned to increase the Company profitability by changing pricing methodology.
Civinity AB is the holding company of the group and provides management services to subsidiaries according to transfer pricing policy. Noteworthy, that company updated transfer pricing methodology from 2021, optimized their expenses and planning dividends from controlled companies.

EUR 6 million bonds issue (note 22) is secured with the 1st rank pledge of 100% of the shares of the Company, 1st rank commercial pledge over the issuer, 1st rank pledges over 100 % shares of operating companies (at least 10 biggest and at least 90 % of EBITDA to be represented plus all acquired companies) and 1st rank commercial pledges over operating companies, prohibition to transfer contracts outside of the Group, 1st rank pledge over bank accounts (detailed implementation to be agreed after legal advice is received).

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 percent of the authorised share capital.

22. BORROWINGS

	At 31 December 2020	At 31 December 2019
Non-current		
Bonds	0	5 866 972
Other borrowings	58 904	108 468
	58 904	5 975 439
Current		
Bonds	5 933 486	2 500 000
Other borrowings	1 118 386	0
Other amounts receivable, net	7 051 872	2 500 000
Total	7 110 776	8 475 439

Borrowings movement in year 2020 and 2019 is disclosed in the table below:

	2020	2019
Bonds at the beginning of the year	8 366 971	9 200 457
Bonds repaid	-2 500 000	-900 000
Depreciation of the capitalization of the costs, related with the bonds issue	66 514	66 514
Interest charged	595 000	658 000
Interest repaid	-595 000	-658 000
Bonds at the end of the year	5 933 486	8 366 971
Other borrowings at the beginning of the year	108 468	206 697
Proceeds from borrowings	0	3 750
Borrowings repaid/offset	-49 564	-53 706
Reclasification from advances	1 118 386	0
Offset of borrowings due to the sale and the acquisition of the subsidiaries*	0	-48 273
Other borrowings at the end of the year	1 177 290	108 468
Total borrowing at the end of the year	7 110 776	8 475 439

The contractual maturity of borrowings as at 31 December 2020 and 31 December 2019:

	2020		2019	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
Within one year		5 933 486	0	8 366 972
One to five years	1 177 290		108 468	0
	1 177 290	5 933 486	108 468	8 366 972

*- From 1 January 2019, the group has recognised leases for these financial leases, except for short-term and low-value leases, see note 13 and note 2.2 for further information

Bonds

In 2017 the Group issued bonds. The par value of each bond is EUR 100 thousand, the bonds shall be redeemed during four years with semi-annual interest payment schedule and 6-month EURIBOR plus 7% margin variable annual interest rate.

Issued bonds are secured by the pledge registered at the special registries in Lithuania and Latvia of the shares of the Company, the shares of selected Group companies and the selected assets of selected companies with total value of EUR 27.253.000. The Group's pledged assets are disclosed in the notes 12, 20, 21.

At the end of 2017 Group capitalized EUR 266.057 expenses, related with the bonds issue and refinancing of the loans from credit institutions,

therefore the effective interest rate is 7,2%.

In December 2020 the Group repaid EUR 2.500.000 portion of the bonds (2019 - 900.000). Group arranged new 8 000 000 EUR bond emission for the December, 2021 aiming to refinance reminding part of bonds issued in 2017. The group signed agreement with Šiaulių bankas AB to act as distributor.

The par value of each bond will be EUR 100, the bonds will be redeemed during two years with quarterly interest payment schedule and 4,5-5,5 % margin annual interest rate.

Other borrowings

In 2020 advances received for purchase of shares UAB Statinių priežiūra and UAB Dizaja were reclasified to other borrowings according conditions stated into signed loan agreements. Total loan EUR 1.118 millions will be redeemed till 31 December 2021, with 5% interest rate.

23. CONTRACT LIABILITIES

	At 31 December 2020	At 31 December 2019
Advances received from service recipients (accumulated funds for construction and repair works)	5 231 347	4 917 989
Contract liabilities according to fixed price contracts	731 276	353 978
Total	5 962 623	5 271 967

In accordance with IFRS requirements, the Group classifies all prepayments received from households as current liabilities, as the Group does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the reporting period. Based on the historical experience and practice, the Group observes that accumulated funds from households for future construction, repair and current maintenance works can reduce year-over-year during 12-month period by only up to 10% (which in the view of Management represents best estimate of current liabilities based on the plans approved by the owners of the buildings to carry out specific works in the current year less new funds to be accumulated during the same period). The remaining 90% of the company's liability for accumulated funds paid by residents are expected to be carried forward and settled by delivering services after more than one year.

During 2020 year the amount of earned revenue that was included in the advances received from service recipients balance at the beginning of the period was EUR 3.486.728 (during 2019 - EUR 3.408.378).

Aggregate amount of the transaction price allocated to long-term fixed price contracts which performance obligations are partially unsatisfied as at the end of 2020 year was EUR 11 392 891, at the end of 2019 year was EUR 16 005 463.

24. ADVANCES RECEIVED

	At 31 December 2020	At 31 December 2019
Advances received for purchase of shares (14 note)	0	1 268 645
Other current prepayments received	443 197	671 007
Total	443 197	1 939 652

In 2020 advances received for purchase of shares were reclasified to other borrowings (note 22).

25. OTHER CURRENT AND NON-CURRENT LIABILITIES

Non-current	At 31 December 2020	At 31 December 2019
Employees related benefits (taxes)	529 999	0
Payable VAT	408 911	0
Other payables	23 534	11 539
Total other current liabilities	962 444	11 539
Current		
Employees related benefits	3 413 910	2 414 688
Payable VAT	670 802	176 365
Accrued expenses	793 048	532 715
Other payables	605 070	518 808
Total other non-current liabilities	5 482 831	3 642 575
Total other liabilities	6 445 275	3 654 114

During the year 2020 Group received tax loan, repayment timetable was agreed with tax authorities, the latest payment amount is year 2022, total amount is EUR 1.611.368, from this amount is EUR 957.862 is non-current part of tax loan (of which personal income tax is EUR 184.132, social security tax is EUR 345.866) and current part of tax loan is EUR 653.505 (of which personal income tax is EUR 184.022, social security tax is EUR 42 868 and VAT EUR 402.317). EUR 268.485 is payable regular business related VAT tax.
The Group approved employees remuneration policy and from beginning of year 2020 bonusses accruals are booked on monthly bases.

26. RELATED-PARTIES TRANSACTIONS

The parties are deemed to be related when one party has a power to exercise control over the other party or make significant influence on its financial and operation decisions.
During 2020 and 2019, the Group's related parties are as follows:
- Parent entity - Nord Fin Assets, SIA (registration number 44103136863, Latvia);
- Ultimate Parent entity - Nord Fin Assets, SIA (registration number 44103136863, Latvia);

Other related parties:
- City Development OOO, Russia (immaterial associate);
- Management and the Board (note 1);
- Supervisory Board (note 1).

Transactions with Group's management

Payments made to the Group's Directors and Board members and executive personnel:

	2020	2019
Wages and salaries, bonuses	441 008	476 715
Expenses of social security contributions	27 634	11 469
Car rent expenses	11 607	9 633
Total remuneration of key management personnel	**480 249**	**497 817**

No loans, guarantees or any other amounts were paid or calculated to the Group's management and no assets were transferred.

Other transactions with related parties

Presented below are the transactions with related parties reported in the Group's statement of comprehensive income and the statement of financial position as at 31 December 2020 and 31 December 2019:

	2020	2019
Purchases of goods and services from related parties		
Other related parties	181 680	219 502
	181 680	**219 502**
Trade payables and other amounts payable to related parties		
Members of the Board	0	579
	0	**579**
Trade receivables and other amounts receivable from related parties		
Members of the Board	114 643	179 349
	114 643	**179 349**
Loans granted and interest receivable from related parties		
Parent entity	41 811	15 662
	41 811	**15 662**

27. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Litigations

As at 31 December 2020, the Group had no material liabilities or assets that could arise from the involvement in legal proceedings initiated by a third party against the Group and by the Group against a third party.

28. EVENTS AFTER THE REPORTING PERIOD

From 21 January 2021 Civinity Supervisory Board ceased to exist.

On 21 January 2021 Giedrius Jakubauskas was appointed as new member of the board and on 23 January 2021 Deividas Jacka was elected as the Chairman of the board.

In February of 2021 the Group Latvia subsidiaries server was attacked and infected by Ransomware crypto virus. As result data one server was encrypted (Note 4.1).

On 06 May 2021 Edvinas Paulauskas was appointed as the Member of the Board replacing Aivaras Škėma.

0n 20 May 2021 Civinity AB signed agreement with AB "Šiaulių bankas" for 8 000 000 EUR bond emission. The first tranche of bonds emission is arranged for 4 quarter in 2021 and will be dedicated for refinancing current EUR 6.0 millions bonds (Note 2.1). The second tranche EUR 2.0 millions group will use for investments in accordance to group growth strategy and arranged for first quarter in 2022.