JOINT STOCK COMPANY SAKRET HOLDINGS

UNIFIED REGISTRATION NUMBER 40103251030

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

(11th financial year)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED IN THE EUROPEAN UNION

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Riga, 2021

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General information

Name of the Parent Company	SAKRET HOLDINGS
Legal status of the Parent Company	Joint-Stock Company
Unified registration number, place and date of registration	40103251030, Riga, 30 September 2009
Registered office	„Ritvari", Rumbula, Stopinu region, Latvia, LV-2121
Full name and address of the shareholder as at 31 December 2020 (end of day)	SIA "PĀRVALDĪBAS SISTĒMAS" „Ritvari", Rumbula, Stopinu region, Latvia, LV-2121
Board Members	Māris Ķelpis, Chairman of the Board Andris Ziedonis, Member of the Board (till 30.07.2020) Laura Miķelsone, Member of the Board (from 11.08.2020) Juris Grīnvalds, Member of the Board
Council Members	Andris Vanags, Chairman of the Council Valērija Lieģe, Deputy Chairman of the Council Artis Grinbergs, Member of the Council
Other Group companies	SIA SAKRET (100%) Reg. No. 40003622109, „Ritvari", Rumbula, Stopinu region, LV-2121 SIA SAKRET PLUS (90%) Reg. No. 40003749392, „Ritvari", Rumbula, Stopinu region, LV-2121 UAB SAKRET LT (100%) Reg. No. 3005988522 Biochemikų g. 2, LT-57234, Kėdainiai, Lithuania OÜ SAKRET (100%) Reg. No. 111961147 Mäo küla, Paide vald, 72751 Järvamaa, Estonia
Financial year	1 January – 31 December 2020
Auditors	Dace Negulinere Latvian Certified Auditor Certificate No 175 SIA Ernst & Young Baltic Muitas 1A, Riga Latvia, LV – 1010 License No. 17

Management report

Introduction

AS SAKRET HOLDINGS and its subsidiaries (hereinafter – the Group) is engaged in production and sale of dry and ready-mix construction materials, and is one of the leading manufacturers of construction materials in the Baltic countries. Group offers a wide range of building materials in various areas of the construction process, e.g. cement-based dry mix mortars – heat insulation mortars, concrete, masonry mortars and repair compounds, plastering mortars, tile adhesives, decorative plasters and other types of products as well as ready- construction materials – decorative plasters, primers, building chemistry, paints and other types of products.

The Group provides services and more convenient type of packaging that facilitates the production, namely, lease of mobile silos, mixers, plastering machines.

Performance of the Group

The Group's consolidated net turnover for 2020 is EUR 22,2 million and above the results of 2019 for 1,5% or EUR 329,3 thousand. The sales volume (dry and ready-to-use building mixtures) of Sakret group companies in natural units, in 2020 has been fulfilled by 98% compared to the budgeted amount and by 100% compared to 2019.

Winter of 2019/2020 was a favourable time for construction business, as the temperature was higher than average, so the construction of new facilities was started atypically early. As a result, in the Q1 of 2020, the increase in tons compared of 2019 Q1 was 16%. In the Q2 and Q3 of 2020, the negative factor of economic activity was COVID-19, as a result of which decrease in sales volume was accordingly 6% and 7%, compared with 2019 Q2 and Q3. In the Q4 was reached positive results were reached – increase in tons 7%, comparing to Q4 results of 2019. The good results of the last quarter had positive influence on total finance results for 2020.

The Group's gross profitability reached 30%, compared to the 2019 result of 27,6%. The main factor of increase in profitability is changes in amortization and depreciation.

In 2020, by decision of the Group's management, a review of the useful lives of property, plant and equipment was performed, during which the deprecation rates of these assets were assessed and adjusted, and the valuation results are reflected in the property, plant and equipment accounting. This is one of main factors in decrease of depreciation and amortization costs in the current year. This change has had an effect of depreciation expenses for EUR 432,0 thousand compared to 2019.

Because of the global situation in 2020 with COVID-19, one of the challenges for SAKRET was lack of working capital. The creditors intensified their monitoring of compliance with payment terms. Some of the main raw materials' suppliers started negotiations about prepayments. Cash flow problems were also caused by the confusion of debtors in crisis situation, which resulted in irregular payments. At the same time, compliance with COVID-19 safety requirements made the production process more difficult and expensive.

To ensure working capital needs for sales volumes during the season in March 2020 SIA Sakret has received additional financing. Negotiations with AS BlueOrange Bank on attracting financing were started in December 2019. In July 2020, SIA Sakret received financing for working capital in the amount of EUR 250 thousand from AS "Attīstības finanšu institūcija Altum" for solving the problems that had occurred with COVID-19. The total available funding is EUR 1 million.

Based on the Lithuanian government order No. 207 and order no. 222, UAB "Sakret LT" is included in the list of companies, whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

Within the scope of the above-mentioned state aid instrument, UAB "Sakret LT" has partly deferred tax payments of amount EUR 230,1 thousand. In December 2020, a schedule of deferred tax payments was prepared and agreed with the State Tax Inspectorate (STI), which provides schedule of gradually repayment of taxes from May 2021 till December 2022 amount of payment in month is EUR 11,5 thousand.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labor Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB "Sakret LT" has received such compensation for a six-month period from 1 July 2020. The total amount of aid is EUR 64,0 thousand.

The number of employees in the respective period is 138, which is at same level compared to 2019. Considering the salary trends in Baltic market and new premium system for sales representatives, the increase in costs in 2020 compared to 2019 is EUR 267,7 thousand or 9%.

Research and Development

One of the Group's tasks is working with the direct consumers of products, i.e., builders, acquainting them with the new products and services as well as explaining the product specifics and advantages.

Management report (cont'd)

The management also regularly follows the latest trends in the building materials market in order to be able to provide a versatile and high-quality offer. In 2020, SAKRET continued to develop new products and improve existing ones. The development of the product BOS – self-levelling material for floor, was completed at the end of 2019, BOS is successfully sold in stores in Latvia. In 2020, its recipes were adjusted to Estonian and Lithuanian factories and product was started to be produced in all Group's factories. The development of the product PAF – mineral binder for polystyrene bulk material, was complete in 2020. Material is successfully sold in Latvia and Lithuania.

Investments

In 2020 Group has made total investments of EUR 186 thousand, focusing on manufacturing and IT priorities.

Financing overview

As at December 31, 2020 AS AS SAKRET HOLDINGS the share capital consists of 750 000 shares with a par value of EUR 1,40.

During 2020, the main sources of financing for Group were:

- AS BlueOrange bank long-term loan
- AS BlueOrange short term loans for working capital
- Funds from the bond issue
- Retained earnings

In 2020 July 20th Sakret LT UAB share capital was increased by EUR 3 581 483,20 by additional issue of 123 670 shares with a nominal value of EUR 28,96.

In 2019 the Group has attracted financing from AS BlueOrange Banka and issued bonds. In accordance with the credit agreement and terms of bond issue, the Group is obliged to comply with certain financial covenants specified in the agreement. Group's management has performed an examination of the fulfilment of these financial covenants and concluded that based on the Consolidated financial statements of AS SAKRET HOLDINGS, these covenants have been met:

- Ratio Net DEBT / EBITDA does not exceed 4.5,
- Ratio DSCR is above 1.1,
- Ratio Net DEBT / Equity does not exceed 4.5.

Planning and development of the Group

In November 2020, the 2021 budget of SAKRET was approved. The main focus is on the purposeful and stable long-term growth of Group companies. Revenue planning took into account market trends and forecasts of expected changes in construction financing.

In 2021, it is planned to make investments, the main priority of which is the renovation of production equipment and the development of the company's management and process digitization.

At the end of the reporting period current liabilities exceeded current assets by EUR 2,80 million (31.12.2019. EUR 3,16 million), the main factors being loans from credit institutions (EUR 3,98 million): short-term portion of long-term loans (EUR 1,1 million), working capital financing - overdrafts (EUR 1,76 million) and credit line (EUR 1,12 million). Extension of both overdraft and credit line terms is planned until 2023 to finance current assets. Current terms are currently December 31, 2021 EUR 1,0 million (available limit) overdraft and August 22, 2021 EUR 1,45 million (amendments to the contract on the available limit were concluded January 15, 2021) overdraft and February 22, 2022 for credit line of amount EUR 1,25 million (available limit). The Bank has confirmed readiness to prolong these agreements at least until 2023 if the covenants will be met during this period.

For going concern evaluation, the management considers overdraft amounting to EUR 1,76 million and credit line amounting to EUR 1,12 million as non-current liabilities, thus by having these considerations as of December 31, 2020 current assets exceed current liabilities by EUR 0,09 million. Taking into consideration the non-current nature of mentioned liabilities, the management of the Group believes that there is sufficient amount of current assets available to cover current liabilities.

Taking into account the uncertainty of the situation regarding the further course and duration of second wave of the coronavirus (Covid-19), as well as the future preventive decisions, taken by the responsible authorities of all Baltic States to limit the spread of it, it is not possible to provide a long-term financial forecast.

Financial risk management

Market risk

The Group mitigates market risk by diversifying both its product range and the customer base. The key customers are major retailers and wholesalers of construction materials; however, the products are also sold to smaller trading companies. The Group offers a wide range of products so that negative market trends do not affect all sales products simultaneously. Market forecasts and trends are followed in order to develop and offer products demanded in the market.

Management report (cont'd)

Credit risk

The Group is exposed to credit risk mainly through its trade receivables which are tightly monitored. Individual credit limits are set in accordance with the credit policy and based on internal or external assessments, and the use of loans is regularly monitored. In addition to control, to reduce credit risk, in 2020 the contract of insurance of trade receivables has been extended.

Liquidity risk

The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and to ensure the availability of sufficient funding, thereby enabling the Group to meet its obligations as they fall due.

Regularly the Group checks matching of the maturities of financial assets and liabilities as well as the stability of financing for non-current assets. The Group's management believes that the Group will have sufficient funds available so that its liquidity position might not be jeopardized.

Interest rate risk

The Group is exposed to interest rate risk through its loans from banks and finance lease, and factoring liabilities. After refinancing, which was finished in 2019, the Group's non-current loan bears a floating interest rate (6-month EURIBOR). The Group follows the EURIBOR forecasts, thus assessing the potential changes in floating interest rates (for the next three years a negative EURIBOR rate is projected). Current financial instruments (credit line, overdraft) bear a fixed interest rate.

Events after balance sheet date

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Group's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Group's ability to continue as a going concern may differ from the management's assessment.

Profit distribution

It is expected that the profit for the reporting period will be direct to the development of the Group.

Statement of Management's Responsibility

The Management Board of AS SAKRET HOLDINGS prepares consolidated financial statements for each financial year which give a true and fair view of the AS SAKRET HOLDINGS group's financial position at the end of the respective period, and the financial results and cash flows of the Group for that respective period. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the management selects suitable accounting policies and then apply them consistently; makes judgments and estimates that are reasonable and prudent; prepares the financial statements on the going concern basis unless it is inappropriate to presume that the going concern principle may be applied.

The Management Board of AS SAKRET HOLDINGS is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.

Māris Ķelpis	Laura Miķelsone	Juris Grīnvalds
Chairmen of the board	Member of the Board	Member of the Board

15 April 2021

Financial statements

Consolidated Statement of Comprehensive Income

	Notes	2020 EUR	2019 EUR
Revenue from contracts with customers	4	22 197 001	21 867 685
Cost of sales	5	(15 555 609)	(15 829 305)
Gross profit		**6 641 392**	**6 038 380**
Distribution costs	6	(2 914 100)	(2 903 410)
Administrative expense	7	(1 862 614)	(1 635 435)
Other operating income	8	86 589	11 499
Other operating expense		(74 840)	(24 367)
Operating profit		**1 876 427**	**1 486 667**
Finance income	9	1 186	8 494 920
Finance costs		(1 090 284)	(925 728)
Profit before corporate income tax		**787 329**	**9 055 859**
Income tax expense	10	(17 091)	(52 505)
Net profit for the year		**770 238**	**9 003 354**
Other comprehensive income		-	-
Total other comprehensive income		**-**	**-**
Total comprehensive income		**770 238**	**9 003 354**
Parent Company`s shareholders		757 371	8 993 988
Minority shareholders		12 867	9 366
		757 371	8 993 988
		750 000	750 000
Basics and diluted earnings per share	11	1,01	11,99

The accompanying notes form an integral part of these financial statements

Māris Ķelpis	Laura Miķelsone	Juris Grīnvalds	Oksana Birkāne
Chairman of the Board	Member of the Board, responsible for report preparation	Member of the Board	Chief Accountant, person in charge of the preparation of the annual report

15 April 2021

Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31/12/2020 EUR	31/12/2019 EUR
Intangible assets			
Licenses		158 331	149 544
Development costs		290 216	314 482
TOTAL	13	**448 547**	**464 026**
Property, plant and equipment			
Land, buildings and constructions		7 784 292	8 012 099
Equipment and machinery		1 791 622	1 787 346
Other fixtures and fittings, tools and equipment		93 165	103 975
Right-of-use assets		352 757	412 096
TOTAL	14	**10 021 836**	**10 315 516**
TOTAL NON-CURRENT ASSETS		**10 470 383**	**10 779 542**
CURRENT ASSETS			
Inventories			
Raw materials and consumables		1 417 815	1 236 815
Finished goods and goods for sale		1 102 370	890 680
Prepayments for goods		7 023	16 275
TOTAL	16	**2 527 208**	**2 143 770**
Receivables and prepayments			
Trade receivables	17	2 404 080	2 372 748
Prepaid expenses		49 222	206 623
Others loans		-	35 572
Other receivables		100 626	94 360
TOTAL		**2 553 928**	**2 709 303**
Cash and cash equivalents	18	**150 918**	**315 245**
TOTAL CURRENT ASSETS		**5 232 054**	**5 168 318**
TOTAL ASSETS		**15 702 437**	**15 947 860**

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15 April 2021

Consolidated Statement of financial position

EQUITY AND LIABILITIES

EQUITY	Notes	31/12/2020 EUR	31/12/2019 EUR
Share capital	19	1 050 000	1 050 000
Denomination reserve		572	572
Reorganization reserve	20	(8 491 750)	(8 491 750)
Foreign exchahge rate fluctuations reserve		24 899	24 899
Retained earnings/(accumulated deficit)		9 056 038	62 050
Profit/loss for the year		757 371	8 993 988
Equity attributable to Parent Company's shareholders		2 397 130	1 639 759
Minority share		216 589	203 722
TOTAL EQUITY		**2 613 719**	**1 843 481**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	21	997 918	2 009 253
Other borrowings	23	3 258 791	2 949 648
Lease liabilities	22	195 402	240 292
Trade payables	24	469 642	574 642
Taxes payable	25	138 086	-
TOTAL		**5 059 839**	**5 773 835**
Current liabilities			
Loans from credit institutions	21	3 984 237	3 421 566
Other borrowings	23	250 000	300 000
Lease liabilities	22	138 048	144 901
Trade payables	24	2 217 288	3 006 289
Contract liabilities		252 801	322 072
Taxes payable	25	378 282	214 684
Other liabilities		201 241	171 871
Accrued liabilities	26	577 979	720 158
Unpaid dividends to minority shareholder		29 003	29 003
TOTAL		**8 028 879**	**8 330 544**
TOTAL LIABILITIES		**13 088 718**	**14 104 379**
TOTAL EQUITY AND LIABILITIES		**15 702 437**	**15 947 860**

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15 April 2021

Consolidated Statement of cash flows

	Notes	2020 EUR	2019 EUR
Cash flows to/ from operating activities			
Profit before tax		787 329	9 055 859
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	14	587 106	980 584
Amortisation and impairment of intangible assets	13	43 856	36 240
Gain on disposal of property, plant and equipment	8	(5 888)	(10 898)
Finance income	9	(1 186)	(8 494 920)
Finance costs		1 090 284	925 728
		2 501 501	**2 492 593**
Working capital adjustments			
(Increase)/ decrease in trade receivables, contract assets and prepayments		160 184	148 471
(Increase)/ decrease in inventories		(396 475)	141 737
Increase/ (decrease) in trade and other payables, contract liabilities and refund liabilities		(1 030 277)	(469 459)
		1 234 933	**2 313 342**
Interest paid		(836 289)	(914 465)
Income tax paid		(17 091)	(19 218)
Net cash flows from operating activities		**381 553**	**1 379 659**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(185 858)	(115 578)
Proceeds from sale of property, plant and equipment and intangible assets		10 245	13 093
Net cash flows used in investing activities		**(175 613)**	**(102 485)**
Financing activities			
Investment in stock or share capital (equity capital)	19	-	1 015 000
Proceeds from borrowings		250 000	7 958 226
Repayment of borrowings		(439 521)	(10 097 462)
Payment of principal portion of lease liabilities	22	(180 746)	(179 970)
Net cash flows from /(used in) financing activities		**(370 267)**	**(1 304 206)**
Net increase in cash and cash equivalents		**(164 327)**	**(27 032)**
Cash and cash equivalents at 1 January		**315 245**	**342 277**
Cash and cash equivalents at 31 December		**150 918**	**315 245**

The accompanying notes form an integral part of these financial statements.

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15 April 2021

Consolidated Statement of changes in equity

	Share capital EUR	Denomination reserve EUR	Reorganization reserve (Note 20) EUR	Foreign exchange rate fluctuations reserve EUR	(Accumulated losses)/ retained earnings/ EUR	Total equity attributable to parent Company's shareholders EUR	Minority shareholders' participation share EUR	Total equity EUR
Balance as at 31 December 2018	35 000	572	(8 491 750)	24 899	62 050	(8 369 229)	194 356	(8 174 873)
Increase of capital	1 015 000	-	-	-	-	1 015 000	-	1 015 000
Profit for the year	-	-	-	-	8 993 988	8 993 988	9 366	9 003 354
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	1 015 000	-	-	-	8 993 988	10 008 988	9 366	10 018 354
Balance as at 31 December 2019	1 050 000	572	(8 491 750)	24 899	9 056 038	1 639 759	203 722	1 843 481
Profit for the year	-	-	-	-	757 371	757 371	12 867	770 238
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	757 371	757 371	12 867	770 238
Balance as at 31 December 2020	1 050 000	572	(8 491 750)	24 899	9 813 409	2 397 130	216 589	2 613 719

The accompanying notes form an integral part of these financial statements.

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15 April 2021

Notes to the consolidated financial statements

1. Corporate Information

AS SAKRET HOLDINGS (hereinafter – the Parent Company) was registered with the Republic of Latvia Enterprise Register on 30 September 2009 under unified registration number 40103251030. The registered office of the Parent Company is at Ritvari", Rumbula, Stopinu region, Latvia, LV-2121. The bonds of the Parent Company are listed on NASDAQ RIGA BALTIC FIRST NORTH list.

The Sakret Group (hereinafter – the Group) is a one of the leading Baltic dry and ready-made liquid mixes manufacturers for construction. The Parent Company has 100% participating interest in subsidiary SIA Sakret and 90% participating interest in subsidiary SIA Sakret plus, principal place of business is Latvia, 100% participating interest in subsidiary Sakret OU in Estonia and 100% participating interest in subsidiary UAB Sakret LT in Lithuania.

AS Sakret Holdings parent company "Pārvaldības sistēmas" Ltd. prepares consolidated financial statements in accordance with the requirements of Latvian legalisation. The Consolidated financial statements are available at "Pārvaldības sistēmas" Ltd. office, legal address "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121.

The financial statements for the year ended 31 December 2020 were approved by a decision of the Parent Company's Board on April 15, 2021.

The Parent Company's shareholders have the power to amend the consolidated and separate financial statements after the issue.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements present fairly the Group's financial position, financial performance and cash flows. For the purposes of fair presentation, faithful information is provided concerning the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense. In order to achieve a true and fair view ('fair presentation'), the Group has complied with International Financial Reporting Standards, as adopted by the EU, which comprise the following:

International Accounting Standards (IAS);

International Financial Reporting Standards (IFRS);

interpretations issued by the International Financial Reporting Interpretations Committee;

Framework for the Preparation and Presentation of Financial Statements.

These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparatives are reclassified.

2.1. Basis of preparation

The financial statements present the consolidated financial position of the AS SAKRET HOLDINGS Group (i.e. AS SAKRET HOLDINGS and its subsidiaries).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The consolidated financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below.

The monetary unit used in the financial statements is the euro (EUR). The consolidated financial statements cover the period 1 January 2020 through 31 December 2020.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies and income and expense for the reporting period.

Standards issued but not yet effective

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The implementation of these amendments will not have any impact on the financial position or performance of the Group.

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective (cont'd)

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the implementation of this standard.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These Amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the implementation of this standard.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, 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 originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The implementation of these amendments will not have any impact on the financial position or performance of the Group.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the implementation of this standard.

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective (cont'd)

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the implementation of this standard.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the implementation of this standard.

The Group plans to adopt the above-mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill, if any), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3. Foreign currency translation

The functional and presentation currency of the Group is the euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the statement of comprehensive income accounts. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

Non-financial assets and liabilities

2.4 Intangible assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

After initial recognition, development expenditure is recognized as intangible assets at cost less accumulated amortization and any accumulated impairment losses. Assets are amortized over their expected useful lives. At each reporting date, it is analyzed whether there is any indication that the asset may be impaired. When computer software is an integral element of hardware that cannot operate without that specific software, computer software is treated as property, plant and equipment. Other intangible assets are comprised of software and licenses. Amortization is calculated on straight line basis. Other intangible assets have a useful life of 3 – 10 years. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

2.5. Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability and intention to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Other development expenditure is written off.

After initial recognition, development expenditure is recognized as intangible assets at cost less accumulated amortization and any accumulated impairment losses. Assets are amortized over their expected useful lives. At each reporting date, it is analyzed whether there is any indication that the asset may be impaired.

2.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, except for land and buildings that are measured at revaluated amount less accumulated depreciation (of the buildings) and impairment losses recognized after date of revaluation. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Buildings 2,5% - 4%
- Equipment and machinery 2% - 20%
- Other property, plant and equipment 6,7-% -50%

Depreciation starts when the asset is ready for its intended use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the cost of sales caption or in admirative expense caption.

2.6. Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Expenses related to leasehold improvements are capitalized as property, plant and equipment and depreciated over the lease period on a straight-line basis.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and available for use.

Estimates concerning property, plant and equipment

Useful lives of property, plant and equipment

The Group makes estimates concerning the useful lives and residual values of property, plant and equipment. These estimates are reviewed at the end of each reporting period and are based on the past experience and industry practice. On 1 January 2020, by the decision of the Group, a review of the useful lives of property, plant and equipment was performed, during which the depreciation rates of these assets were assessed and adjusted, and the valuation results are reflected in the property, plant and equipment accounting.From 1 January 2020, the monthly depreciation charges have been calculated considering the new (estimated) useful lives, while maintaining the straight-line depreciation method.

Recoverable amount of property, plant and equipment

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of property, plant and equipment. According to these tests, assets are written down to their recoverable amounts, if necessary. For the purposes of impairment testing, the management uses various estimates for the cash flows arising from the use, sale, maintenance and repairs of the assets, as well as in respect of the inflation and interest rate growth.

As of January 1, 2020, the Group has decided to change the accounting estimate for fixed assets, reviewing the useful service time of fixed assets, to ensure that the residual values of fixed assets correspond more closely to the terms of use and fair values of these fixed assets observed in practice.

As of January 1, 2020, the monthly depreciation of fixed assets has been calculated taking into account the new (estimated) useful service times, maintaining the straight-line method of calculating the depreciation of fixed assets. The changes specified by the Group have a positive impact on the Group's net profit in 2020. In total, the Group's monthly depreciation of fixed assets decreased on average by EUR 36 002 per month and the total reduction effect in 2020 is EUR 432 024.

	2019	**2020 (based on 2019 rates)**	**2020**
Land,buildings and constructions	380 370	383 750	246 222
Equipment and machinery	363 027	388 404	115 174
Other fixtures and fittings,tools and equipment	44 235	51 258	29 992
Right-of-use assets	190 743	181 248	181 248
Licence	24 778	25 468	25 468
Development products	12 100	19 825	19 825
KOPĀ	**1 015 253**	**1 049 953**	**617 929**

2.7. Inventories

Inventories are stated at the lower of the following values: cost or market value. Costs comprise direct materials costs as well as, if applicable, direct labour costs and other directly attributable costs incurred in bringing the inventories to their present location and condition. Inventory cost price is determined using FIFO (first-in, first-out) method. If necessary, obsolete, slow moving and defective inventories are written-off.

2.8. Government Grants

Grants received from the government and international organizations are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

Government grants are recognized as income on a systematic basis over the period when the Group expense the costs that the grants compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognized as income of the period in which it becomes receivable. The Group has chosen to present grants related to an expense item as other operating income in the statement of comprehensive income.

2.9. Recognition and measurement of provisions

Provisions are recognized when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expect some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.10. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Equipment and machinery	3 to 5 years
• Other property, plant and equipment	2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 3.5 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings (Note 22).

2.10. Leases (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit and loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Financial assets and liabilities

2.11. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 2.16. Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group classifies financial assets as follows:

- financial assets at amortized cost;
- equity investments at fair value through other comprehensive income (FVTOCI);
- financial assets at fair value through profit or loss (FVTPL),
- debt investments at fair value through other comprehensive income (FVTOCI).

2.11. Financial assets (cont'd)

Financial assets at amortized cost

A financial asset is measured at amortized cost in case it satisfies both of the following requirements and is not classified as at FVTPL: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and b) its contractual terms on specified dates ensures cash flows that are solely payments of principal and interest. These assets are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, the assets are measured at amortized cost applying the effective interest rate method. The amortized cost value is decreased by impairment losses. Foreign exchange gains and losses, impairment, and interest income are recognized in profit or loss statements. On derecognition, any gain or loss is recognized in proft or loss statement.

Equity investments at FVTOCI

Upon initial recognition, the Group can choose to irrevocably classify its equity investments as equity instruments designated at fair value through OCI, in case these investments a) meet the definition of equity instrument under IAS 32 Financial Instruments and b) and are not held for trading. The Group evaluates and applies this classification for each instrument separately. These instruments are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at fair value. Dividends are recorded in statement of comprehensive income. Other net gains and losses are accumulated in OCI and are never applied or reclassified to profit or loss statement.

Financial assets at FVTPL

These financial instruments include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial instruments are deemed as held for trading in case they are planned to be sold in the short term. Derivatives are also classified as held for trading, except when they are hedging instruments. Financial instruments with contractual cash flows that are not solely principal and interest payments are classified and measured at fair value through profit or loss. For these instruments, directly attributable transaction costs are recognized in profit or loss as incurred. After the initial recognition, these instruments are measured at fair value. Net value changes are recognized in profit or loss statement.

Debt investments at FVTOCI

A debt investment is measured at FVTOCI if it meets both of the following requirements and is not classified as at FVTPL: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell these financial assets; and b) its contractual terms on specified dates ensures cash flows that are solely payments of principal and interest. These assets are initially measured at fair value plus transaction costs directly attributable to their acquisition. After the initial recognition, the assets are measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income (OCI). In case of derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's financial statement of financial position) when:

• The rights to receive cash flows from the asset have expired or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor

transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.12. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The Group classifies financial liabilities as follows:
- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss (FVTPL).

Financial liabilities at amortized cost

A financial liability is measured at amortized cost in case it is not held-for-trading and is not designated as held-for-trading in the initial recognition. These financial liabilities are initially measured at fair value less directly attributable transaction costs. After the initial recognition, these liabilities are measured at amortized cost, using the effective interest rate.

Financial liabilities at FVTPL

A financial liability is classified as at FVTPL in case it is held-for-trading or is designated as held-for-trading in the initial recognition. For this type of liabilities, directly attributable transaction costs are recognized in profit or loss statement, as incurred. Liabilities at FVTPL are measured at fair value, with changes in value and interest expense recognized through profit or loss statement.

In case the Group and the Parent Company uses derivative financial instruments, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivative embedded in a hybrid contract, with a financial liability is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are menasured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Derecognition

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

Offsetting of financial instruments

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

2.13. Impairment of financial instruments

The Group and recognizes an allowance for expected credit losses (ECLs) for financial assets measured at amortized cost. The impairment model is based on the premise of providing for expected losses.

Impairment is measured with one of the following approaches: a) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and b) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the Group apply a simplified approach – a loss allowance is always established equal to the amount of credit losses expected over the remaining life of the asset (lifetime ECLs).

For individually assessed financial assets that are measured at amortized cost (Loan to shareholder) the IFRS 9 general approach is used, applying the Expected Credit Losses Model, which foresees calculating the financial asset value adjustments as the product of three variables: Exposure at Default (EAD), Loss Given Default (LGD) and the Probability of Default (PD).

For financial assets measured at amortized cost, considered to have acceptable credit risk, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance is based on the lifetime ECLs.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand, deposits held at call with banks with maturities of three months or less.

2.15. Receivables

A receivable represents the Group right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Accounts receivable in the balance sheet are stated at their nominal value less provision for doubtful receivables. On each balance sheet date, the Group evaluates if there is an objective evidence indicating that the client will not be able to meet payment terms. Each debtor is analyzed individually. Provisions for doubtful debts are made, the amount of which is determined as the difference between the recoverable value and nominal value.

2.16. Revenue from contracts with customers

The Group is in the business of building materials production and sales.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled inexchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from sale of building materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the materials at the customer's location. The normal credit term is 30 to 95 days upon delivery.

Volume rebates

The Group provide retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are only applied to the aggregate amount of goods purchased in the relevant period (in one calendar year) and are not attributed to other periods. Rebates are offset against amounts payable by the customer.

Significant financing component

Generally, the Group receive short-term advances from its customers. Using the practical expedient in IFRS 15, the Group do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.17. Fair value measurement

The Group measures non-financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability

Or

• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.17. Fair value measurement (cont'd)

The Group's Management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. At each reporting date, the Group's Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group's Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.18. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.19. Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

2.20. Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

2.21. Taxes

2.21.1. Current corporate income tax

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the consolidated profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

According to the currently valid legislation in Estonia, the profit of the company is not the object of taxation. Instead, income tax is paid on dividends, fringe benefits, gifts, entertaining expenses, non-business payments and transfer price adjustments. The tax rate applicable is 20/80 on the actual dividends paid. The rate of corporation tax on a regularly paid out dividends are 14/86.

2.21. Taxes (cont'd)

2.21.1. Current corporate income tax (cont'd)

The income tax due on dividend distribution is recorded as liability in balance sheet and expensed in the income statement when respective disbursements are declared, irrespective of period for which the dividends were declared or actual date of payment. The due date of income tax liability in Estonia is the 10th day of the month following a taxable distribution.

In Republic of Lithiania current income tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2020 the income tax applied to the Company was 15% (in 2019, 15%).

2.21.2. Deferred corporate income tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Corporate income tax on dividends and deferred income tax expense on dividends of subsidiaries are reported in the consolidated statement of comprehensive income.

2.21.3. Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- When value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable,
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22. Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Parent Company are shareholders who could control or who have significant influence over the Parent Company in accepting operating business decisions, key management personnel of the Parent Company and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence. Related parties of the Group do not include subsidiaries.

2.23. Business combination

2.23.1. Business combination under common control

A common control transaction is a transfer of assets or an exchange of equity interests among entities under the same parent's control. "Control". "Control" can be established through a majority voting interest, as well as variable interests and contractual arrangements. Entities that are consolidated by the same parent—or that would be consolidated, if consolidated financial statements were required to be prepared by the parent or controlling party—are considered to be under common control. The Group has elected to use the pooling of interest approach. The merger is in substance the redemption of shares in the subsidiary, in exchange for the underlying assets of the subsidiary.

The acquired assets and assumed liabilities are recognised at the carrying amounts in the consolidated financial statements as of the date of the legal merger. This includes any associated goodwill, intangible assets, or other purchase price allocation adjustments that were recognised when the subsidiary was originally acquired, less the related amortisation, depreciation, impairment losses, as applicable. Group has elected o use the pooling of interest method where the difference between the amounts assigned to the assets and liabilities and the carrying amount of the investment in the merged subsidiary is recognised directly in equity under the heading "Reorganization reserve".

2.24. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.25. Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Group. As per the corporate laws of Latvia, Estonia and Lithuania, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.26. Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of judgment used in the preparation of the financial statements relate to capitalization of development costs. Estimates include depreciation, allowances for doubtful receivables and inventories and contract assets, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

3.1 Impact of COVID-19

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

In the Republic of Latvia and Lithuania as well as in many other countries starting March 2020 different restrictions to limit the COVID-19 spread came into effect leading to a considerable economic slowdown. The objective of these public policy measures was and is to contain the spread of COVID-19 outbreak and have resulted in operational disruptions.

In parallel, governments, including the Republic of Latvia and Lithuania, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Group applied for such government assistance.

To ensure working capital needs for sales volumes during the season in March 2020 SIA Sakret has received additional financing. Negotiations with AS BlueOrange Bank on attracting financing were started in December 2019. In July 2020, SIA Sakret received financing for working capital in the amount of EUR 250 thousand from AS "Attīstības finanšu institūcija Altum" for solving the problems that had occurred with COVID-19. The total available funding is EUR 1 million.

Based on the Lithuanian government order No. 207 and order no. 222, UAB "Sakret LT" is included in the list of companies, whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

3.1 Impact of COVID-19 (cont'd)

Within the scope of the above-mentioned state aid instrument, UAB "Sakret LT" has partly deferred tax payments of amount EUR 230,1 thousand. In December 2020, a schedule of deferred tax payments was prepared and agreed with the STI, which provides schedule of gradually repayment of taxes from May 2021 till December 2022 amount of payment in month is EUR 11,5 thousand.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labor Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB "Sakret LT" has received such compensation for a six-month period from 1 July 2020. The total amount of aid is EUR 64,0 thousand.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results. Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact in the Group's profitability position. COVID-19 does not have an immediate material impact on the business operations. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment. Management will continue to monitor the situation closely and will assess the need for additional government assistance in case the period of disruption becomes prolonged.

3.2. Going concern

Group consolidated net turnover for 2020 is EUR 22,2 million (2019 EUR 21,9 million), and above the results of 2019 for 1.5% or EUR 329,3 thousand. The sales volume (dry and ready-to-use building mixtures) of the Group in natural units in 2020 has been fulfilled by 100% compared to 2019. The Group has closed year 2020 with EBITDA of EUR 2,5 million, which is approximately at the same level as 2019 (excluding finance income of EUR 8,6 million of forfeited liabilities from Luminor Bank).

At the end of the reporting period current liabilities exceeded current assets by EUR 2,80 million (31.12.2019. EUR 3,16 million), the main factors being loans from credit institutions (EUR 3,98 million): short-term portion of long-term loans (EUR 1,1 million), working capital financing - overdrafts (EUR 1,76 million) and credit line (EUR 1,12 million). The extension of both the overdraft and the credit line terms is planned until 2023 to finance working capital. At present, their repayment date is 31 December 2021 EUR 1,0 million (available limit) for overdraft and 22 August 2021 EUR 1,45 million (agreement amendments to the available limit were concluded on 15 January 2021) for overdraft and 2022. February 22 for the credit line EUR 1,25 million (available limit). The Bank has confirmed its readiness to extend these agreements at least until 2023, provided that all financial conditions are met during this period

For going concern evaluation, the management considers overdraft amounting to EUR 1,76 million and credit line amounting to EUR 1,12 million as non-current liabilities, thus by having these considerations as of 31 December 2020, current assets exceed current liabilities by EUR 0,09 million. Taking into consideration the non-current nature of mentioned liabilities, the management of the Group believes that there is sufficient amount of current assets available to cover current liabilities.

To ensure liquidity, the Group plans to diversify the positive operating cash flow of 2021 from economic activities. In 2021, EBITDA is planned in the amount of EUR 2,3 million, of which EUR 2,0 million is planned to be used for loan repayment and servicing.

In November 2020, the 2021 budget of the Group was approved. The main focus is on the purposeful and stable long-term growth of Group's companies. The Group continues to serve the existing customers and acquiring new customers. No significant changes occur to either in the business environment of the market both in the EU and Latvia.

The management of the Group, evaluating the situation under the influence of COVID-19, made a decision to provide financing to SIA Sakret, using working capital financing in the amount of EUR 250 thousand from JSC "Development Finance Institution Altum" to solve the problems with COVID-19. According to the agreement, the loan repayment must start in September 2021, the repayment term is March 20, 2023. The current agreement stipulates that the loan can be acquired until September 5, 2021. Amendments to the agreement were signed on February 26, 2021, taking into account that the situation with the spread of COVID-19 in Latvia has become actual again. Therefore, the schedule will be agreed in September 2021, based on the amount of absorbed funding.

Based on the Lithuanian government order No. 207 and order no. 222, UAB "Sakret LT" is included in the list of companies whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

Within the scope of the above-mentioned state aid instrument, UAB "Sakret LT" has partly deferred tax payments of the amount of EUR 230,1 thousand. In December 2020, a schedule of deferred tax payments was prepared and agreed with the STI, which provides a schedule of gradual repayment of taxes from May 2021 to December 2022, the amount of payment in a month is EUR 11,5 thousand.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labor Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB "Sakret LT" has received such compensation for a six-month period from 1 July 2020. The total amount of aid is EUR 64,0 thousand.

3.2. Going concern (cont'd)

The activities of the Group are based on the information available at the time of signing these financial statements and the impact of future events on the Group's future operations may differ from the management's current assessment.

3.3. Deferred tax assets and liabilities

The temporary differences associated with investments in the Group's subsidiaries, for which a deferred tax liability has not been recognized in the periods presented, aggregate 0 (2019: 0).The Group has determined that the undistributed profits of its subsidiaries, will not be distributed in the foreseeable future. The Group prepares a development plan, which does not provide for the payment of dividends in the foreseeable future. The Group's profit is intended to be used for repayment of credit liabilities and investments both for the renewal of the Group's production equipment and for the digitization of the company's management and processes. The Group controls the timing of the reversal of the temporary difference and believes that the latter will not reverse in the foreseeable future. Deferred tax liabilities arising from the subsidiaries profit are not recognized in the Group's financial statements (Note 10).

3.4. Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 17.

3.5. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. An impairment test is performed on a CGU if one of the indications in IAS 36.12 is detected. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 15.

3.6. Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3.7. Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group has used the IBR of 3% -7%.

4. Revenue

	2020 EUR	2019 EUR
Revenue from sale of goods and services transferred at a point in time	22 197 001	21 867 685
TOTAL:	**22 197 001**	**21 867 685**

Geographical markets	2020 EUR	2019 EUR
Latvia	9 527 401	9 560 761
Lithuania	6 405 630	5 755 479
Estonia	5 928 828	6 167 332
Other	335 142	384 113
TOTAL:	**22 197 001**	**21 867 685**

Contract Balances

	2020 EUR	2019 EUR
Trade receivables (Note 17)	2 404 080	2 372 748
Contract liabilities	252 801	322 072

Performance obligations

Information about the Group's performance obligations are summarised below. The main business of the Group is producing and sale of dry and ready-made liquid mixes, paints and other goods for construction.

Group's customers are mainly wholesalers and retail companies (~95%) as well as construction companies. All of the sales are being done exclusively through wholesalers and retailer in order to minimize non-payment risk. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 95 days from delivery. The contracts provide the customers with a right of return products with inadequate quality and replace it. Contract liabilities include advances received for delivery of goods to the customers.

Set out below is the amount revenue recognized from:

	2020 EUR	2019 EUR
Amounts included in contract lialilities at the beginning of the year	252 801	322 072
Perfomance obligations satisfied in previous years	252 801	322 072

5. Cost of sales

	2020 EUR	2019 EUR
Purchase cost of raw materials	12 378 162	12 387 916
Remuneration for work (Note 12)	1 277 863	1 207 732
Energy resources expenses	423 874	502 501
Depreciation and amortization (Note 13,14)	418 046	757 516
Repair and maintenance costs	333 928	294 557
Mandatory state social security contributions and entrepreneurial Risk duty (Note 12)	253 531	242 299
Franchise expenses	172 468	168 022
Short-term leases (Note 22)	36 213	16 891
Other expenses	261 524	251 871
TOTAL:	**15 555 609**	**15 829 305**

6. Distribution costs

	2020 EUR	2019 EUR
Goods delivery expenses	1 185 953	1 189 718
Remuneration for work (Note 12)	719 593	678 881
Advertising and marketing expenses	452 577	428 868
Mandatory state social security contributions and entrepreneurial Risk duty (Note 12)	134 499	126 427
Transport expenses	98 068	119 924
Depreciation and amortization (Note 13,14)	82 677	108 824
Other expenses	240 733	250 768
TOTAL:	**2 914 100**	**2 903 410**

7. Administrative expense

	2020 EUR	2019 EUR
Remuneration for work (Note 12)	726 436	616 466
Business consulting services	370 021	255 383
Mandatory state social security contributions and entrepreneurial Risk duty (Note 12)	144 353	116 739
Depreciation and amortization (Note 13,14)	130 239	150 484
Legal services	63 264	44 541
Communication expenses	14 920	14 500
Other expenses	413 381	437 322
TOTAL:	**1 862 614**	**1 635 435**

8. Other operating income

	2020 EUR	2019 EUR
Government grants (Note 28)	64 022	-
Profit from sale of fixed assets	5 888	10 898
Other operating income	16 679	601
TOTAL:	**86 589**	**11 499**

9. Finance income

	2020 EUR	2019 EUR
Other finance operating income	1 186	1 245
Long-term creditor adjustment (Note 21)	-	8 493 675
TOTAL:	**1 186**	**8 494 920**

In 2019, the Sakret Group has successfully settled its liabilities to Luminor Bank AS. The Group has partially repaid credit liabilities to Luminor Bank AS, and the other part of liabilities was forfeited by Luminor Bank AS. As a result of forfeited liabilities, the Group's profit for the reporting year has increased by EUR 8 493 675. See Note 21.

10. Income tax expense

Current and deferred corporate income tax

	2020 EUR	2019 EUR
Current corporate income tax charge for the reporting year*	(17 091)	(52 505)
Deferred corporate income tax due to changes in temporary differences	-	-
Corporate income tax charged to the statement of profit or loss:	**(17 091)**	**(52 505)**

*deemed profit distributions are taxed at income tax rate, but related expense is not presented as income tax expense but on Statement of compreprehensive income line Other operating expense instead.

The calculation of income tax in respect of the Group's operations in **Lithuania** is as follows.

For the year ended 31 December, income tax expenses (income) consisted of:

	2020	%	**2019**	%
(Loss) before tax	(200 481)	-	(762 879)	-
Income tax (benefit), calculated at the statutory income tax rate (15%)	(30 072)	15	(114 432)	15
Effect of expenses which do not reduce taxable profit and effect of non-taxable income	7 691	(1)	9 471	(1)
Not recognized deferred tax asset effect	22 381	(14)	104 961	(14)
Income tax recognized in the income statement	-	-	-	-

As at 31 December, deferred income tax asset consisted of the following:

	2020	**2019**
Social security from the vacation reserve	282	132
Allowances for doubtful receivables	15 434	15 434
Accumulated tax losses	1 212 966	1 190 734
Total deferred income tax	**1 228 682**	**1 206 300**
Less: valuation allowance	(1 228 682)	(1 206 300)
Deferred income tax asset, net	-	-

As at 31 December 2020, UAB "Sakret LT" tax loss carried forward amounted to EUR 8,086,437 (in 2019, EUR 7,938,229), their tax effect amounted to EUR 1,212,966 and EUR 1,190,734, respectively. As at 31 December 2020 and 2019, deferred tax asset was reduced after the management's evaluation, as the current circumstances do not allow to accurately evaluate the amount of the asset that can be utilized in the nearest future. Therefore, it is not meaningful to recognize such asset.

The temporary differences associated with investments in the Group's subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognized in the periods presented, aggregate 0 (2019: 0).

The Group has determined that the undistributed profits of its subsidiaries, will not be distributed in the foreseeable future. The Group prepares a development plan, which does not provide for the payment of dividends in the foreseeable future. The Group's profit is intended to be used for repayment of credit liabilities and investments both for the renewal of the Group's production equipment and for the digitization of the company's management and processes. The Group controls the timing of the reversal of the temporary difference and believes that the latter will not reverse in the foreseeable future. Deferred tax liabilities arising from the subsidiaries profit are not recognized in the Group's financial statements.

11. Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders of the parent by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share for the Group:

	2020 EUR	2019 EUR
Net profit attributable to shareholders of the parent	757 371	8 993 988
Weighted average number of shares	750 000	750 000
Earnings per share (EUR):	1,01	11,99

12. Staff costs and number of employees

	2020 EUR	2019 EUR
Remuneration for work	2 671 206	2 521 284
Mandatory state social security contributions and entrepreneurial Risk duty	525 330	501 477
Changes in vacation pay reserve	59 739	(34 217)
TOTAL:	**3 256 275**	**2 988 544**

The total staff costs are included in the following captions of the statement of comprehensive income:

	2020 EUR	2019 EUR
Cost of sales	1 531 394	1 450 031
Distribution costs	854 092	805 308
Administrative expense	870 789	733 205
TOTAL:	**3 256 275**	**2 988 544**

Key management personnel compensation:

Council Members	2020 EUR	2019 EUR
Remuneration for work	91 848	60 000
Mandatory state social security contributions and entrepreneurial Risk duty	22 137	14 467
TOTAL:	**113 985**	**74 467**

Board Members	2020 EUR	2019 EUR
Remuneration for work	264 446	155 975
Mandatory state social security contributions and entrepreneurial Risk duty	52 655	29 310
TOTAL:	**317 101**	**185 285**

	2020	2019
Average number of employees during the reporting year	139	139
TOTAL:	**139**	**139**

13. Intangible assets

	Licenses	Developed Products	Product development in progress	Intangible asset in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
Cost					
As at 31 December 2018	**387 703**	**118 027**	**174 604**	**-**	**680 334**
Additions	7 744	-	46 924	-	**54 668**
Reclassification	-	22 063	(22 063)	-	**-**
As at 31 December 2019	**395 447**	**140 090**	**199 465**	**-**	**735 002**
Additions	17 908	-	26 310	15 903	**60 121**
Reclassification	1 509	96 301	(96 301)	-	**1 509**
Disposals	-	-	(30 751)	-	**(30 751)**
As at 31 December 2020	**414 864**	**236 391**	**98 723**	**15 903**	**765 881**
Amortization					
As at 31 December 2018	**221 125**	**12 973**	-	-	**234 098**
Amortization charge for the year	24 778	12 100	-	-	**36 878**
As at 31 December 2019	**245 903**	**25 073**	-	-	**270 976**
Amortization charge for the year	25 468	19 825	-	-	**45 293**
Reclassification	1 065	-	-	-	**1 065**
As at 31 December 2020	**272 436**	**44 898**	-	-	**317 334**
Closing net carrying amount					
At 31 December 2019	**149 544**	**115 017**	199 465	-	**464 026**
At 31 December 2020	**142 428**	**191 493**	**98 723**	**15 903**	**448 547**

Fully amortized intangible assets

A number of intangible assets that have been fully amortized are still in active use. The total cost value of these intangible assets as at the end of the year was EUR 147 647 (31.12.2019: EUR 147 647).

Amortization

The total amortization costs are included in the following captions of the statement of comprehensive income:

	2020 EUR	2019 EUR
Cost of sales (Note 5)	18 460	11 462
Distribution costs (Note 6)	2 225	3 140
Administrative expense (Note 7)	23 171	21 638
TOTAL	**43 856**	**36 240**

14. Property, plant and equipment

	Land and Buildings	Equipment and machinery	Other fixtures and fittings, tools and equipment	Right of use assets (Note 22)	Prepayment for property,plant and equipment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
At 31 December 2018	**13 645 852**	**8 846 881**	**1 338 150**	**725 498**	**-**	**24 556 381**
Additions	758	23 997	40 595	285 036	-	350 386
Disposals	-	(16 097)	(89 205)	(332 653)	-	(437 955)
At 31 December 2019	**13 646 610**	**8 854 781**	**1 289 540**	**677 881**	**-**	**24 468 812**
Additions	6 754	68 710	45 442	121 909	40 941	283 756
Reclassification	46 654	(32 644)	(15 519)	-	-	(1 509)
Disposals	-	(16 224)	(24 719)	(132 154)	-	(173 097)
At 31 December 2020	**13 700 018**	**8 874 623**	**1 294 744**	**667 636**	**40 941**	**24 577 962**
Depreciation						-
At 31 December 2018	**5 254 141**	**6 720 505**	**1 228 345**	**404 462**	**-**	**13 607 453**
Depreciation charge for the year	380 370	363 027	44 235	190 743	-	978 375
Disposals	-	(16 097)	(87 015)	(329 420)	-	(432 532)
At 31 December 2019	**5 634 511**	**7 067 435**	**1 185 565**	**265 785**	**-**	**14 153 296**
Depreciation charge for the year	246 222	115 174	29 992	181 248		572 636
Reclassification	34 993	(42 441)	6 383	-	-	(1 065)
Disposals	-	(16 226)	(20 361)	(132 154)	-	(168 741)
At 31 December 2020	**5 915 726**	**7 123 942**	**1 201 579**	**314 879**	**-**	**14 556 126**
Closing net					-	
At 31 December 2019	**8 012 099**	**1 787 346**	**103 975**	**412 096**	**-**	**10 315 516**
At 31 December 2020	**7 784 292**	**1 750 681**	**93 165**	**352 757**	**40 941**	**10 021 836**

On 1 January 2020, by the decision of the Group, a review of the useful lives of property, plant and equipment was performed, during which the depreciation rates of these assets were assessed and adjusted, and the valuation results are reflected in the property, plant and equipment accounting (see Note 2.6).

Fully depreciated assets

A number of properties, plant and equipment that have been fully depreciated are still in active use. The total cost value of these non-current assets as at the end of the year was EUR 5 690 700 (2019: EUR 5 675 917).

Pledges and other encumbrances on property

All shares of the Group share capital and property pledged in favour of the bank serve as borrowings security for the Group's loans from AS BlueOrange Bank and as collateral for bonds. The loans are issued to finance long-term investments, the credit line - to finance current assets.

The loan agreements concluded between the companies of the Group and AS BlueOrange Bank (hereinafter - the "Bank") stipulates that if one of the borrowers fails to repay the part of the loan issued to the Bank or any part thereof, the relevant interest or penalty, or fails to secure other claims of the Bank arising from the agreement, then all other borrowers shall immediately cover all claims of the Bank in full.

14. Property, plant and equipment (cont'd)

Depreciation

The total depreciation costs are included in the following captions of the statement of comprehensive income:

	2020 EUR	2019 EUR
Cost of sales (Note 5)	399 586	746 054
Distribution costs (Note 6)	80 452	105 684
Administrative expense (Note 7)	107 068	128 846
TOTAL:	**587 106**	**980 584**

15. Impairment of non-current assets

The Group at least once a year evaluates whether there is any indication that non-current asset is impaired. If any such indication exists, the Group performs an impairment test to evaluate the possible impairment need.

As at December 31, 2020, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Non-current assets of each subsidiary are considered by management as a separate CGU. Based on that, it was decided to perform an impairment test for the subsidiary UAB Sakret LT. Following the impairment test, the recoverable amount exceeded the carrying amount of CGU. The main aspects of testing are described below.

The recoverable amount of CGU was estimated with reference to the value in use calculations. These calculations take into account the forecasts of financial performance results prepared by the management for the period of five years. Continuous cash flow is estimated using the discounted cash flow in the fifth year. The management estimated the projected operating profit in view of historical data, forecasts of market position. Key assumptions used in performing the impairment test as at December 31, 2020 were as follows:

1. The value in use was estimated with reference to the most up-to-date budget for the year 2021 and the management's forecast covering the period 2021-2025, the projected post-tax discounted cash flows using a post-tax weighted average capital cost (WACC) of 12% (2019: 12%). The WACC was estimated with reference to risk-free borrowing cost, the risk premium for the equity and the relative risk rate for the sector, calculated using publicly available market data and based on the terms and conditions of the credit agreements.
2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. Basically, the approved 2021 budget has been used. Moderate growth of sales volume (dry and ready-to-use building materials) is forecasted until 2025, in local market of Lithuania by 5% in 2022 and by 3% in further years annually.
3. Taking into account the full load of the Latvian plant, starting from 2020, the procurement of products from Lithuania is gradually increased, as a result of which the load of available capacity in Lithuania will be increased.
4. The calculations take into account the impact of inflation on both the revenue and cost components. Larger impact of increase is expected on wage costs, forecasting 5% increase per year.

As a result of the impairment test in CGU, it was determined that the assets' recoverable amount of EUR 5 263,8 thousand exceeded their carrying amount (including net working capital) of EUR 4 667,5 thousand as of December 31, 2020. Accordingly, no impairment was recognised. The sensitivity of the recoverable amount to changes in the WACC (discount rate) is presented in the table below. If the WACC increased by 0.5%, the recoverable amount of CGU would amount to EUR 5 016 thousand or to EUR 4 789 thousand, if the WACC increased by 1 %. The table below also reveals the dependence of recoverable amount on the long-term cash flow growth assumption. The impairment test was based on a long-term cash flow growth assumption of 1% (2019: 1%).

Analysis of the recoverable amount sensitivity to changes in WACC.

WACC change, %	(1.5)%	(1.0)%	(0.5)%	0.0%	0.5%	1.0%
WACC, %	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%
Recoverable amount, EUR thousand	6 163	5 833	5 535	5 264	5 016	4 789
Recoverable amount compared to carrying amount, EUR thousand	1 496	1 166	867	596	349	122

Analysis of the recoverable amount sensitivity to the changes of the long-term cash flow growth assumption, other assumptions remain constant.

15. Impairment of non-current assets (cont'd)

Change of the long-term cash flow growth assumption, %	(1.0)%	(0.5)%	0.0%	0.5%	1.0%	1.5%
Long-term cash flow growth assumption, %	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
Recoverable amount, EUR thousand	4 923	5 086	5 264	5 459	5 673	5 910
Recoverable amount compared to carrying amount, EUR thousand	255	418	596	791	1 006	1 243

As it is stated above the effect of COVID-19 to the impairment test cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation in the countries of operation, however below the analysis of the sensitivity of the recoverable amount to changes in the revenue growth assumption for the year 2021, other assumptions remaining constant is provided as revenue change is believed to be one of the main uncertainies in the light of COVID-19.

Change in revenue assumption for 2021, % of growth comparing to budget 2021	(10.0)%	(5.0)%	0.0%	5.0%	10.0%	15.0%
Revenue amount 2021, EUR thousand	6 273	6 622	6 970	7 319	7 667	8 016
Recoverable amount, EUR thousand	4 637	4 974	5 264	5 551	5 836	6 119
Recoverable amount compared to carrying amount, EUR thousand	-30	307	596	883	1 169	1 452

As at December 31, 2019, the Company has also performed an impairment test. The impairment test showed that the recoverable amount of the asset exceeded its carrying amount and no impairment was recognized.

Other assumptions and estimates

Other areas involving estimates include useful lives of tangible and intangible assets, inventory write-off to net realizable value, impairment of accounts receivable.

16. Inventories

	31/12/2020 EUR	31/12/2019 EUR
Raw materials and consumables	1 417 815	1 236 815
Finished goods and goods for sale	1 102 370	890 680
Prepayments for goods	7 023	16 275
TOTAL:	**2 527 208**	**2 143 770**

The total value of inventories expensed during year 2020 was EUR 12 378 162 and during year 2019 EUR 12 387 916.

All shares of the Group's share capital and property pledged in favour of the bank serve as borrowings security for the Group's loans from AS BlueOrange Bank. The loans are issued to finance long-term investments, the credit line - to finance current assets.

The loan agreements concluded between the companies of the Group and AS BlueOrange Bank (hereinafter - the "Bank") stipulates that if one of the borrowers fails to repay the part of the loan issued to the Bank or any part thereof, the relevant interest or penalty, or fails to secure other claims of the Bank arising from the agreement, then all other borrowers shall immediately cover all claims of the Bank in full.

17. Trade receivables

	31/12/2020 EUR	31/12/2019 EUR
Receivables for goods and services	2 600 526	2 574 964
Allowance for doubtful receivables	(196 446)	(202 216)
TOTAL:	**2 404 080**	**2 372 748**

Trade receivables are non-interest bearing and are generally on terms of 30 to 95 days. In 2020, insurance of purchasers and customers was introduced.

The Group recognizes an allowance for expected credit losses (ECLs) for financial assets measured at amortized cost and contract assets. The impairment model is based on the premise of providing for expected losses. The Group applies a simplified approach to determining expected credit losses, according to which accumulations of expected credit losses during lifetime are made for all trade receivables, which are divided into groups based on common credit characteristics and overdue delays.

17. Trade receivables (cont'd)

The amount of expected credit losses depends on the dynamics of payments (for sales) in 2019 and 2020, as well as historical credit losses in the mentioned period. The amount of historical loss is adjusted to reflect current and future information, see Note 29.

18. Cash

	31/12/2020 EUR	31/12/2019 EUR
Cash at bank	148 059	308 186
Cash in hand	2 859	7 059
TOTAL:	150 918	315 245

The carrying amount of cash and cash equivalents approximates to their fair value. All the Group's cash are denominated in euro.

19. Share capital

As at 31 December 2020, the registered and fully paid share capital of the Parent company was EUR 1 050 000 (31 December 2019 EUR 1 050 000). Share capital consists of 750 000 shares with a nominal value of EUR 1,4 (2019: 1,4) per share. As a result of introduction of EUR and denomination in 2014, the share capital decrease of EUR 572 is reflected in the Company's share capital under "Denomination reserve" item.

	31/12/2020 EUR	31/12/2019 EUR
Share capital	1 050 000	1 050 000
TOTAL:	1 050 000	1 050 000

The Board of the Group recommends directing the profit for the reporting year to the further development of the Group.

20. Reorganization reserve

On 1 November 2013 the Parent Company acquired 100% of SIA "SAKRET", OU "SAKRET", UAB "SAKRET LT" and 90% of SIA "SAKRET PLUS" shares. The total amount of cash paid for the shares was EUR 470. Share purchase transactions were made among the related parties. As a result of the acquisition negative Group's reorganization reserve of EUR 8 491 750 was formed.

Negative reorganization reserve and minority shareholder's share at acquisition date was determined as follows:

	SIA SAKRET	OU SAKRET	UAB SAKRET LT	SIA SAKRET PLUS	Total
	EUR	EUR	EUR	EUR	EUR
Acquisition value	(142)	(100)	(100)	(128)	(470)
Net assets at acquisition date (negative equity)	(1 144 478)	(3 887 810)	(4 441 677)	1 091 873	(8 382 092)
Minority share at acquisition date	-	-	-	(109 188)	(109 188)
TOTAL:	(1 144 620)	(3 887 910)	(4 441 777)	982 557	(8 491 750)

21. Loans from credit intitutions

Non-current:	Interest rate (%)	Maturity	31/12/2020 EUR	31/12/2019 EUR
BlueOrange Bank (loan)	6-month Euribor+7%	22.08.2023	997 918	2 009 253
		TOTAL	997 918	2 009 253

21. Loans from credit institutions (cont'd)

Current:	Interest rate (%)	Maturity	31/12/2020 EUR	31/12/2019 EUR
BlueOrange Bank (loan)	6-month Euribor +7%	31.12.2021	1 100 000	1 000 000
BlueOrange Bank (overdraft)	7%	22.08.2021	951 465	860 245
BlueOrange Bank (overdraft)	7%	31.12.2021	812 012	747 743
BlueOrange Bank (credit line)	7%	22.02.2022	1 120 760	813 578
		TOTAL	3 984 237	3 421 566

The Group loan agreements with AS BlueOrange Bank include a number of obligatory conditions and duties to submit a quarterly report to the bank. On 31 December 2020 the Group's parent company had fulfilled all financial regulations. All shares of the Group's share capital and property pledged in favour of the bank serve as borrowings security for the Sakret Group's loan from AS BlueOrange Bank and as collateral for bonds. The loan is issued to finance long-term investments, the credit line - to finance current assets.

The loan agreement concluded between the companies of the Sakret Group and AS BlueOrange Bank (hereinafter - the "Bank") stipulates that if one of the borrowers fails to repay the part of the loan issued to the Bank or any part thereof, the relevant interest or penalty, or fails to secure other claims of the Bank arising from the agreement, then all other borrowers shall immediately cover all claims of the Bank in full (Note 3.2). As of 31 December 2020, none of the Group Companies has failed to repay its liabilities to the Bank.

22. Leases

Group as a lessee

The Group has lease contracts for various items of plant, machinery and vehicles used in its operations. Leases of plant and machinery generally have lease terms between 2 and 5 years, motor vehicles generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Equipment and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Total EUR
Cost			
As at 31 December 2018	95 580	629 918	725 498
Additions	81 990	203 046	285 036
Disposals	(78 983)	(253 670)	(332 653)
As at 31 December 2019	98 587	579 294	677 881
Additions	-	121 909	121 909
Disposals	(16 595)	(115 559)	(132 154)
As at 31 December 2020	81 992	585 644	667 636
Depreciation			
As at 31 December 2018	77 009	327 453	404 462
Depreciation expense	33 513	157 230	190 743
Disposals	(78 983)	(250 437)	(329 420)
As at 31 December 2019	31 539	234 246	265 785
Depreciation expense	34 160	147 088	181 248
Disposals	(16 595)	(115 559)	(132 154)
As at 31 December 2020	49 104	265 775	314 879
Net book value			
As at 31 December 2019	67 048	345 048	412 096
As at 31 December 2020	32 888	319 869	352 757

22. Leases (cont'd)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020 EUR	2019 EUR
As at 1 January	**385 193**	**277 998**
Additions	108 126	277 206
Disposals	-	(2 835)
Accretion of interest	20 878	12 794
Payments	(180 747)	(179 970)
As at 31 December	**333 450**	**385 193**
Current	138 048	144 901
Non-current	195 402	240 292

The following are the amounts recognized in statement of comprehensive income:

	2020 EUR	2019 EUR
Depreciation expense of right-of-use assets	181 248	190 743
Interest expense on lease liabilities	20 878	12 794
Expenses relating to short-term leases (included in cost of sales)	(41 259)	(39 704)
Expenses relating to short-term leases (distribution costs)	(71 045)	(67 181)
Expenses relating to short-term leases (administrative expense)	(68 443)	(73 085)
Total amount recognized in statement of comprehensive income	**21 379**	**23 567**

23. Other borrowings

Non-current:	**Interest rate (%)**	**Maturity**	31/12/2020 EUR	31/12/2019 EUR
Bond	9%	30.08.2024	2 941 698	2 782 555
Other borrowings	5%	31.12.2023	167 093	167 093
Attīstības sabiedrība "Attīstības finanšu institūcija Altum" (Note 28)	2,9%	20.03.2023	150 000	-
		Total	**3 258 791**	**2 949 648**

In August 2019, the Group registered a bond issue in the amount of EUR 3 790 000 with the Latvian Central Depository. The bond issue is secured with Group's share capital and property pledges. The bonds are issued at nominal value EUR 1 000, their maturity is five years.

Current:	**Interest rate (%)**	**Maturity**	31/12/2020 EUR	31/12/2019 EUR
Bikuvos prekyba UAB	10%	31.12.2021.	150 000	300 000
Attīstības sabiedrība "Attīstības finanšu institūcija Altum" (Note 28)	2,9%	31.12.2021.	100 000	-
		Total	**250 000**	**300 000**

The currency of the borrowings is EURO, Bikuvos prekyba UAB loan is unsecured.

24. Trade payables

	31/12/2020 EUR	31/12/2019 EUR
Trade payables*	2 686 930	3 580 931
Total:	**2 686 930**	**3 580 931**

* Including liabilities (deferred payment) to the Ultimate Beneficial Owner of the Group in accordance with the agreement from 1 December 2020:

Non-current part 469 642 EUR (31.12.2019 – 574 642 EUR),
Current part 90 000 EUR (31.12.2019 – 69 490 EUR).

Trade payables are non-interest bearing and are normally settled within the term of 30-60 days.

25. Taxes payable

	31/12/2020 EUR	31/12/2019 EUR
State social insuarance mandatory contribution	114 162	92 758
Personal income tax	93 011	48 514
Corporate income tax	6 910	42 588
Value added tax	295 534	(59 743)
Immovable property tax	3 526	2 200
Natural resources tax	1 825	27 462
Business risk state fee	31	46
Funded pension	1 370	1 116
Total:	**516 368**	**154 941**
Payable	**516 368**	**214 684**
Current	**378 282**	**214 684**
Non-current (Note 28)	**138 086**	**-**
Receivable	**-**	**(59 743)**

26. Accrued liabilities

	31/12/2020 EUR	31/12/2019 EUR
Clients' annual discounts	261 299	468 794
Accrual for unused vacations	223 202	163 569
Expenses for which invoices have been received in the next financial year	92 370	85 941
Other accrued liabilities	1 108	1 854
Total accrued liabilities	**577 979**	**720 158**

27. Related party disclosures

The consolidated financial statements of the Group include:

Name	Principal acitvities	Country of incorporation	% equity interest 2020	% equity interest 2019
SIA SAKRET	Production of dry buildings materials and sale of dry, ready for use building materials, chemicals and paints.	Latvia	100%	100%
SIA SAKRET PLUS	Production and sale of ready for use building materials, chemicals and paints.	Latvia	90%	90%
UAB SAKRET LT	Production and sale of dry, ready for use building materials, chemicals and paints.	Lithuania	100%	100%
OU SAKRET	Production of dry buildings materials and sale of dry, ready for use building materials, chemicals and paints.	Estonia	100%	100%

Related parties		Sales to related parties*	Purchases from related parties*	Amounts owed by related parties as at December 31st	Amounts owed to related parties as at December 31st
		EUR	EUR	EUR	EUR
	2020	**1 820**	**291 466**	**447**	**584 499**
SIA LM 21	Entity with significant influence over the Group till 16.12.2020.	1 480	291 466	-	24 857
SIA MĀRIS UN PARTNERI	Entity with significant influence over the Group till 10.11.2020.	170	-	-	-
SIA PĀRVALDĪBAS SISTĒMAS	Shareholder	170	-	447	-
Ultimate Beneficial Owner		-	-	-	559 642
	2019	**2 998**	**325 344**	**3 638**	**729 279**
SIA LM 21	Entity with significant influence over the Group	2 220	325 344	2 686	94 637
SIA MĀRIS UN PARTNERI	Entity with significant influence over the Group	579	-	711	-
SIA PĀRVALDĪBAS SISTĒMAS	Shareholder	199	-	241	-
Ultimate Beneficial Owner		-	-	-	634 642
	TOTAL for 2020:	**1 820**	**291 466**	**447**	**584 499**
	TOTAL for 2019:	**2 998**	**325 344**	**3 638**	**729 279**

* The total amount of invoices issued and received for the specified period.

The amounts are classified as trade receivables and trade payables, respectively (see Notes 17 and 24). The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Outstanding balances as at the year end are unsecured. There have been no guarantees provided or received for any related party receivables. Key management personnel remuneration is disclosed in Note 12.

28. Government grants

In response to Covid-19 SIA Sakret received financing for working capital in the amount of EUR 250 thousand from AS "Attīstības finanšu institūcija Altum". The loan is secured by claim rights on the entire property as a pool of things as it was at the time of creating the pledge right.

Based on the Lithuanian government order No. 207 and order no. 222, UAB "Sakret LT" is included in the list of companies, whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

Within the scope of the above-mentioned state aid instrument, UAB "Sakret LT" has partly deferred tax payments of amount EUR 230,1 thousand. In December 2020, a schedule of deferred tax payments was prepared and agreed with the STI, which provides schedule of gradually repayment of taxes from May 2021 till December 2022 amount of payment in month is EUR 11,5 thousand.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labor Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB "Sakret LT" has received such compensation for a six-month period from 1 July 2020. The total amount of aid is EUR 64,0 thousand.

29. Financial risk management

The Group's principal financial instruments comprise loans from credit institutions and cash. The main purpose of these financial instruments is to ensure financing for the Group's operations. The Group have various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations. The activities of the Group expose them to a variety of financial risks, mostly interest rate risk, liquidity risk and credit risk. The Group are not exposed to foreign currency risk as the Group has no significant financial assets and liabilities other than the euro. The Group's financial management identifies and evaluates financial risks in close co-operation with the Group's operating units.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group are exposed to cash flow interest rate risk mainly in relation to borrowings with floating interest rates as the finance costs increase significantly with the interest rate growing.

The Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's borrowings is disclosed in Note 21.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on mainly EURIBOR floating rate borrowings). There is no impact on the equity, except for the effect on the current year result.

Interest rate sensitivity for the Group may be specified as follows:

Year	EURIBOR	Effect on profit before tax, EUR
2020	+0,5%	(11 000)
2019		(16 000)
2020	+1,0%	(22 000)
2019		(32 000)
2020	-0,5%*	-
2019		-

* The signed credit agreements do not provide for a negative EURIBOR% rate adjustment

The impact of the change in interest rate on the profit is calculated by multiplying all liability balances as at 31 December 2020 by the respective change in the interest rate.

The calculation method provides a more accurate reflection of the risk associated with future interest rate fluctuations using the maximum balances of financial liabilities on the last day of the reporting period.

Liquidity risk

The Group's liquidity and cash flow risk management objective is to maintain an adequate amount of cash and cash equivalents and the availability of non-current borrowings through access to sufficient credit amounts to meet the existing and expected liabilities.

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans.

29. Financial risk management (cont'd)

Liquidity risk (cont'd)

In response to Covid-19 SIA Sakret received financing for working capital in the amount of EUR 250 thousand from AS "Attīstības finanšu institūcija Altum".

Based on the Lithuanian government order No. 207 and order no. 222, UAB "Sakret LT" is included in the list of companies, whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

Within the scope of the above-mentioned state aid instrument, UAB "Sakret LT" has partly deferred tax payments of amount EUR 230,1 thousand. In December 2020, a schedule of deferred tax payments was prepared and agreed with the STI, which provides schedule of gradually repayment of taxes from May 2021 till December 2022 amount of payment in month is EUR 11,5 thousand.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labor Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB "Sakret LT" has received such compensation for a six-month period from 1 July 2020. The total amount of aid is EUR 64,0 thousand.

Liquidity analysis (contractual undiscounted cash flows)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2020	**On demand** EUR	**Less than 3 months** EUR	**3 to 12 months** EUR	**1 to 5 years** EUR	**> 5 years** EUR	**TOTAL** EUR
Loans from credit institutions	-	-	3 984 237	1 100 000	-	5 084 237
Other borrowings	-	-	250 000	3 317 093	-	3 567 093
Lease liabilities	-	40 929	97 119	195 402	-	333 450
Trade payables	-	2 217 288	-	469 642	-	2 686 930
Total	**-**	**2 258 217**	**4 331 356**	**5 082 137**	**-**	**11 671 710**

Year ended 31 December 2019	**On demand** EUR	**Less than 3 months** EUR	**3 to 12 months** EUR	**1 to 5 years** EUR	**> 5 years** EUR	**TOTAL** EUR
Loans from credit institutions	-	-	3 421 566	2 200 000	-	5 621 566
Other borrowings	-	-	300 000	3 957 093	-	4 257 093
Lease liabilities	-	47 262	97 639	240 292	-	385 193
Trade payables	-	3 006 289	-	574 642	-	3 580 931
Total	**-**	**3 053 551**	**3 819 205**	**6 972 027**	**-**	**13 844 783**

Credit risk

The Group is exposed to credit risk through its trade receivables and cash. The Group manages its credit risk by continuously assessing the credit risk history of customers and assigning trade credit limits and terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized. The Group uses credit risk insurance for factoring transactions where credit limits and credit ratings are established. The Group's counterparties in money transactions are local financial institutions.

The Group's revenue from its largest customer does not exceed 10% of its total turnover. Except for that, the Group has no other customer or customer group the transactions with which would exceed 10% of the Group's total turnover.

		31/12/2020 EUR	31/12/2019 EUR
Trade receivables – not insured		540 309	513 352
Insured trade receivables		1 863 771	1 859 396
	Total	**2 404 080**	**2 372 748**

29. Financial risk management (cont'd)

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix.

As at 31 December 2019, the ageing analysis of the receivables may be specified as follows:

	Total	Neither past due nor impaired	Past due but not impaired, days				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL %		0,14%	0,36%	0,25%	6,11%	92,58%	100%
Trade receivables, gross	2 401 947	1 873 491	270 875	121 145	96 186	19 212	21 038
Allowances for expected credit loss	(29 199)	(3 270)	(848)	(301)	(2 010)	(2 222)	(20 548)
2019	2 372 748	1 870 221	270 027	120 844	94 176	16 990	490

As at 31 December 2020, the ageing analysis of the receivables may be specified as follows:

	Total	Neither past due nor impaired	Past due but not impaired, days				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL %		0,14%	0,17%	0,26%	0,71%	100%	100%
Trade receivables, gross	2 429 067	1 974 838	298 232	85 165	49 709	19 584	1 539
Allowances for expected credit losses	(24 987)	(2 786)	(504)	(219)	(355)	(19 584)	(1 539)
2020	2 404 080	1 972 052	297 728	84 946	49 354	-	-

30. Fair value measurement

The Group's management believes that the carrying amounts of financial assets and financial liabilities do not differ materially from their fair values. The Group has certain financial liabilities at fixed rates.

Fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For fair value measurement and disclosure Group's management is using discounted cash flows with market interest rates.

30. Fair value measurement (cont'd)

2019

	Carrying amount	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Assets for which fair values are disclosed:					
Other loans	35 572	35 572	-	35 572	-

2020

	Carrying amount	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Liabilities for which fair values are disclosed:					
Loans					
Loans from credit intitutions	4 982 155	4 982 155	-	4 982 155	-
Other borrowings	3 508 791	3 508 791	-	3 508 791	-

2019

	Carrying amount	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Liabilities for which fair values are disclosed:					
Loans					
Loans from credit intitutions	5 430 819	5 430 819	-	5 430 819	-
Other borrowings	3 249 348	3 249 348	-	3 249 348	-

31. Events after reporting date

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Company's ability to continue as a going concern may differ from the management's assessment.

After the end of the financial year, on 15 January, 2021 an additional agreement between BlueOrange Bank AS and the UAB Sakret LT No. OJ-56/2019 was signed, which increased the amount of the overdraft limit by EUR 450'000.

On 26 February, 2021 an additional agreement between Attīstības finanšu institūcija Altum AS and SIA Sakret No. 246638/01 was signed, which extends the initial loan issuance term, as well as the repayment start date untill 5 September, 2021.

Māris Ķelpis Chairman of the Board	Laura Miķelsone Member of the Board, responsible for report preparation	Juris Grīnvalds Member of the Board	Oksana Birkāne Chief Accountant, person in charge of the preparation of the annual report

15 April 2021

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SIA "Ernst & Young Baltic"
Muitas iela 1A
Rīga, LV-1010
Latvija
Tālr.: +371 6704 3801
Fakss: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reģ. Nr. 40003593454
PVN maksātāja Nr. LV40003593454

SIA Ernst & Young Baltic
Muitas iela 1A
Riga, LV-1010
Latvia
Tel.: +371 6704 3801
Fax: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reg. No: 40003593454
VAT payer code: LV40003593454

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Sakret Holdings AS

Opinion

We have audited the accompanying consolidated financial statements of Sakret Holdings AS (the Group) set out on pages 8 to 45 of the accompanying consolidated annual report, which comprise the consolidated statements of financial position as at 31 December 2020 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Sakret Holdings AS as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

Management is responsible for the other information. The other information comprises:

- the General information about the Group as set out on page 3 of the accompanying consolidated annual report;
- the Management Report as set out on pages 4 to 7 of the accompanying consolidated annual report.

Other information does not include the consolidated financial statements and our auditors report thereon.

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

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

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

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

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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

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

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 the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of 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 skepticism 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.

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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.

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Licence No. 17

Iveta Vimba
Member of the Board

Dace Negulinere
Latvian Certified Auditor
Certificate No. 175

Riga, 15 April 2021