
JOINT STOCK COMPANY SAKRET HOLDINGS

UNIFIED REGISTRATION NUMBER 40103251030

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 Andis Ziedonis, Member of the Board (till 30.07.2020.) Laura Miķelsons, 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
Subsidiaries	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 Biochemiku 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 (Company) is the holding company of the following subsidiaries:

- SIA SAKRET (registered in the Republic of Latvia, unified registration No. 40003622109, legal address: "Ritvari", Rumbula, Stopiņu novads, LV2121), 100% share,
- SIA SAKRET PLUS (registered in the Republic of Latvia, unified registration No. 40003749392, legal address: "Ritvari", Rumbula, Stopiņu novads, LV2121), 90% share,
- UAB SAKRET LT (registered in the Republic of Lithuania, registration No. 3005988522, legal address: Biochemikų str. 2, LT-57234, Kėdainiai, Lithuania), 100% of shares and
- OÜ SAKRET (registered in the Republic of Estonia, registration No. 111961147, registered office: Mäo küla, Paide vald, 72751 Järvamaa, Eesti), 100% share.

The Parent Company provides management, product development and financial control services to its subsidiaries. Subsidiaries are engaged in production and sale of dry and ready-mix construction materials. It is one of the leading manufacturers of construction materials in the Baltic countries. Sakret companies 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. Sakret offers ready-mixed construction materials as well – decorative plasters, primers, building chemistry, paints and other types of products.

Performance of the Company in the Reporting year

The Company has closed 2020 with a loss of EUR 2 046 thousand and equity as at 31 December 2020 is EUR 437 thousand. Losses in amount of EUR 2 000 thousand were recognized from the investment in UAB Sakret LT. Based on the impairment test performed to UAB Sakret LT, Company's management believes that investment in subsidiary UAB Sakret LT is partly impaired and its carrying amount as at 31 December 2020 is EUR 1 581 thousand. The total contribution is EUR 4 620 thousand, of which EUR 1 039 thousand were recognized as impairment in 2019 and EUR 2 000 thousand in 2020.

Company provides management, product development and financial control services to its subsidiaries, consequently, its economic activity is directly related to the economic activity of its subsidiaries. Covid-19 has not significantly affected the Company's financial indicators in 2020.

Financing overview

The share capital of Company as at 31 December 2020 is EUR 1 050 000, which consists of 750 000 shares with a par value of EUR 1.40 each.

In 2019 Company issued bonds, proceeding EUR 3 000 000, with maturity on August 30, 2024.

Planning and development of the Company

The Company forecasts a moderate increase in sales in the upcoming years.

Financial risk management

The main financial risks associated with the Company's financial instruments are - currency risk, interest rate risk, liquidity and cash flow risk and credit risk. The Company's management believes that the Company is not exposed to currency risk, cash flow and credit risk.

Liquidity risk

The objective of the Company's liquidity risk management is to maintain an adequate amount of cash and cash equivalents and to ensure adequate funding to enable the Company to meet its obligations as they fall due. The Company regularly assesses the maturity of financial assets and liabilities, as well as the stability of long-term investment financing sources. The Company's management believes that the Company will have sufficient cash resources to ensure that its liquidity is not jeopardized.

Interest rate risk

The Company is exposed to interest rate risk through its finance lease liabilities. The Company follows EURIBOR forecasts, thus assessing possible changes in floating interest rates (a negative EURIBOR rate is forecasted for the next 3 years).

Statement of Management's Responsibility

The Management Board of AS SAKRET HOLDINGS prepares financial statements for each financial year which give a true and fair view of the AS SAKRET HOLDINGS (hereinafter – the Company) financial position at the end of the respective period, and the financial results and cash flows of the Company 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 Company and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.



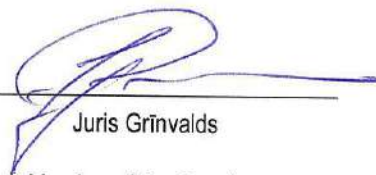
Māris Kelpis

Chairmen of the board



Laura Miķelsone

Member of the Board



Juris Grīnvalds

Member of the Board

15 April 2021

Financial statements

Statement of Comprehensive Income

	Notes	2020 EUR	2019 EUR
Revenue from contracts with customers	4	980 422	498 352
Cost of sales	5	(851 094)	(335 773)
Gross profit		129 328	162 579
Administrative expense		(26 648)	(29 640)
Other operating expense	6	(2 001 925)	(1 039 673)
Operating profit (loss)		(1 899 245)	(906 734)
Finance income	7	365 881	1 612 288
Finance costs		(501 124)	(22 917)
Profit (loss) before corporate income tax		(2 034 488)	682 637
Income tax expense	8	(11 876)	-
Net profit (loss) for the year		(2 046 364)	682 637
Other comprehensive income		-	-
Total comprehensive income:		(2 046 364)	682 637
Basic and diluted earnings per share	9	(2,73)	0,91

The accompanying notes form an integral part of these financial statements

			
Māris Kelpis	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

Statement of Financial Position

ASSETS

	Notes	31/12/2020 EUR	31/12/2019 EUR
NON-CURRENT ASSETS			
Intangible assets			
Licenses		15 903	-
TOTAL	11	15 903	-
Property, plant and equipment			
Other fixtures and fittings, tools and equipment		6 376	1 021
Right-of-use assets		114 837	-
TOTAL	12	121 213	1 021
Non-current financial assets			
Investments in subsidiaries	13	2 021 853	440 370
Loans to related companies	14	883 934	3 664 130
TOTAL		2 905 787	4 104 500
TOTAL NON-CURRENT ASSETS		3 042 903	4 105 521
CURRENT ASSETS			
Receivables and prepayments			
Trade receivables	16	576 915	1 493 244
Prepaid expenses		9 785	15 159
Other loans	15	-	35 572
Other receivables	17	95 820	80 194
TOTAL		682 520	1 624 169
Cash and cash equivalents		3 604	14 799
TOTAL CURRENT ASSETS		686 124	1 638 968
TOTAL ASSETS		3 729 027	5 744 489

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

Statement of Financial Position

EQUITY AND LIABILITIES

	Notes	31/12/2020 EUR	31/12/2019 EUR
EQUITY			
Share capital	18	1 050 000	1 050 000
Denomination reserve		572	572
Retained earnings		1 433 051	750 414
Profit/(loss) for the year		(2 046 364)	682 637
TOTAL EQUITY		437 259	2 483 623
LIABILITIES			
Non-current liabilities			
Other borrowings	19	2 941 698	2 782 555
Lease liabilities	20	59 903	-
TOTAL		3 001 601	2 782 555
Current liabilities			
Lease liabilities	20	47 040	-
Trade payables	21	40 717	202 680
Contract liabilities		3 854	1 427
Taxes payable	22	46 106	28 697
Other liabilities		56 300	9 525
Accrued liabilities	23	96 150	235 982
TOTAL		290 167	478 311
TOTAL LIABILITIES		3 291 768	3 260 866
TOTAL EQUITY AND LIABILITIES		3 729 027	5 744 489

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

Statement of cash flows

	Notes	2020 EUR	2019 EUR
Cash flows to/ from operating activities			
Profit (loss) before tax		(2 034 488)	682 637
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	12	62 859	862
Impairment of investment in subsidiary	6,13	2 000 000	1 038 895
Finance income	7	(365 881)	(1 612 288)
Finance costs		501 124	22 917
		163 614	133 023
Working capital adjustment:			
(Increase)/decrease in trade receivables, contract assets and prepayments		1 006 428	(702 963)
(Decrease)/increase in trade and other payables, contract liabilities		(409 583)	(226 398)
		760 459	(796 338)
Interest received		301 102	44 797
Interest paid		(341 100)	(166 251)
Corporate income tax paid		(11 400)	-
Net cash flows from operating activities		709 061	(917 792)
Investing activities			
Purchase of property, plant and equipment and intangible assets		(18 969)	(330)
Loans issued to related companies		-	(3 881 734)
Loans repaid from related companies		1 000 000	2 454 200
Investments in subsidiaries	6,13	(1 699 749)	(1 038 795)
Net cash flows used in investing activities		(718 718)	(2 466 659)
Financing activities			
Investment in stock or share capital (equity capital)	18	-	1 015 000
Proceeds from borrowings	19	-	3 000 000
Repayment of borrowings		57 606	(616 890)
Payment of principal portion of lease liabilities	20	(59 144)	-
Net cash flows from/(used in) financing activities		(1 538)	3 398 110
Net increase(decrease) in cash and cash equivalents		(11 195)	13 659
Cash and cash equivalents at 1 January		14 799	1 140
Cash and cash equivalents at 31 December		3 604	14 799

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

			
Māris Kēlpiš	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

Statement of changes in equity

	Share capital	Denomination reserve	(Accumulated losses)/retained earnings	Total equity
	EUR	EUR	EUR	EUR
As of 1 January 2019	35 000	572	750 414	785 986
Increase of capital	1 015 000	-	-	1 015 000
Profit for the year	-	-	682 637	682 637
Other comprehensive income	-	-	-	-
Total comprehensive income	1 015 000	-	682 637	1 697 637
As of 31 December 2019	1 050 000	572	1 433 051	2 483 623
Losses for the year	-	-	(2 046 364)	(2 046 364)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(2 046 364)	(2 046 364)
As of 31 December 2020	1 050 000	572	(613 313)	437 259

For information on transaction with shareholders see Note 18

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

 Māris Kēlpiš 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
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15 April 2021

Notes to the financial statements

1. Corporate information

AS SAKRET HOLDINGS (hereinafter – the 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 Company are listed on Nasdaq Riga Baltic First North list.

The Sakret Group (hereinafter – the Group) is a one of the leading Baltic of dry and ready-made liquid mixes manufacturer for construction. The 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 Sakret LT UAB in Lithuania. AS SAKRET HOLDINGS prepares the consolidated financial statements. The Consolidated financial statements are available at Parent Company's registered office at "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121.

AS Sakret Holdings parent company "Pārvaldības sistēmas" Ltd. prepares consolidated financial statements in accordance with the Laws of the Republic of Latvia on Accounting and on Annual Reports and Consolidated Annual Reports. 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 Company's Board on April 15, 2021. The 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 Company'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 Company 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; and

Framework for the Preparation and Presentation of Financial Statements.

2.1. Basis of preparation

The financial statements present only the financial position of AS SAKRET HOLDINGS as a separate entity; the financial position of companies belonging to the Sakret Group (i.e. AS SAKRET HOLDINGS and its subsidiaries) is presented in a separate set of consolidated financial statements. The financial statements of AS SAKRET HOLDINGS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The 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 euro (EUR, the monetary unit of the Republic of Latvia). The 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.

In the parent's separate financial statements, investments in subsidiaries are accounted at cost. Investments are measured at the lower of their carrying amount and fair value less cost to sell.

2.1. Basis of preparation (cont'd)

Legal address and type of business of the subsidiaries:

Company	Information	Ownership
SIA SAKRET	Registered in the Republic of Latvia, the unified registration No. 40003622109, legal address: "Ritvari", Rumbula, Stopinu novads, LV2121	100% share
SIA SAKRET PLUS	Registered in the Republic of Latvia, the unified registration No. 40003749392, legal address: "Ritvari", Rumbula, Stopinu novads, LV2121	90% share
UAB SAKRET LT	Registered in the Republic of Lithuania, registration No. 3005988522, legal address: Biochemikų str. 2, LT-57234, Kėdainiai, Lithuania	100% share
OU SAKRET	Registered in the Republic of Estonia, registration no. 111961147, legal address: Mõo village, Paide parish, 72751 Järva County, Estonia	100% share

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 Company.

- **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

2.1. Basis of preparation (cont'd)

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 Company.

- **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.

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

2.2. Foreign currency translation

The functional and presentation currency of the Company 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

2.3 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.

2.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Other fixtures and fitting, tools and equipment 20%

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 administrative expense caption.

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.

As of January 1, 2020, the Company 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 Company have a positive impact on the Company's net profit in 2020. Total effect of the changes in estimated useful lives of the Company's fixed assets is not material and amounts to 181 EUR.

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

Estimates concerning property, plant and equipment

Useful lives of property, plant and equipment

The Company 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. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates.

Recoverable amount of property, plant and equipment

When the events and circumstances indicate a potential impairment, the Company 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.

2.5. 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 Company 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 Company with no future related costs is recognized as income of the period in which it becomes receivable.

2.6. Recognition and measurement of provisions

Provisions are recognized when the Company 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 Company 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.

2.7. Leases

The Company 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.

Company as a lessee

The Company 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 Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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:

- Other property, plant and equipment 3 to 5 years

If ownership of the leased asset transfers to the Company 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 3.4 Impairment of non-financial assets.

2.7. Leases (cont'd)

Lease liabilities

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company's lease liabilities are included in Interest-bearing loans and borrowings (Note 20).

Short-term leases and leases of low-value assets

The Company 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.

Company as a lessor

Leases in which the Company 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 or 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

2.8. 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price.

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 Company'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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.8. Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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 Company 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).

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 statement. On derecognition, any gain or loss is recognized in profit or loss statement. The Company does not have any financial assets measured other than at amortized cost.

Derecognition

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

- The rights to receive cash flows from the asset have expired or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

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

The Company classifies financial liabilities as follows:

- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss (FVTPL).

2.9. Financial liabilities (cont'd)

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.

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 profit or 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.

2.10. Impairment of financial instruments

The Company 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 Company 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.

2.11. 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.

2.12. Receivables

A receivable represents the Company's 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 Company 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.

2.13. Revenue from contracts with customers

The Company provides management, product development and financial control services to its subsidiaries. The fees for the services are being determined on monthly basis. Revenue from contracts with subsidiaries is recognised over time when control of the services is transferred to the subsidiary at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements. The normal credit term is 30 days from the date of invoicing.

Procurement services

There are contracts with subsidiaries to acquire, on their behalf, raw materials and other goods for manufacturing purposes. The Company is acting as agent in these arrangements. Payment is due upon receipt of the goods by the customer.

2.14. Fair value measurement

The Company 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 Company. 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 Company 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 Company 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.

The Company's Management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement. At each reporting date, the Company's Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company'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 Company 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.

2.15. 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.

2.16. 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 Company 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 or 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 Company has not designated any financial liability as at fair value through profit or loss.

2.16. Subsequent measurement (cont'd)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. 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 or loss.

2.17. Taxes

2.17.1. 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 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.

2.17.2. 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.

2.18. 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 Company include subsidiaries.

2.19. Subsequent events

Post-year-end events that provide additional information about the Company'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 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, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has not applied for such government assistance.

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 Company and has concluded that there is no significant impact in the Company's profitability position. COVID-19 did not have an immediate material impact on the business operations.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company 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 government funding in case the period of disruption becomes prolonged.

3.2. Going concern

The Company has closed year 2020 with a loss of EUR 2 046,4 thousand.

At the end of the reporting period Company's current assets exceeded current liabilities by EUR 396,0 thousand. Going concern ability of the Company is dependent on overall performance of the Group.

The consolidated net turnover of the Group in 2020 is EUR 22.2 million (EUR 21.9 million in 2019), which is EUR 0.3 million or 1.5% more compared to the turnover in the respective period in 2019. The sales volume of basic products (dry and ready-to-use construction mixtures) in monetary terms has increased by 2% compared to 2019, while the sales volume in tonnes has remained at the previous year's level. EBITDA in 2020 reached EUR 2.5 million, which is approximately at the same level as 2019.

At the end of the reporting period, short-term liabilities of the Group exceeded current assets by EUR 2.80 million (31.12.2019: 3.16 million), the main factors were loans from credit institutions (EUR 3.98): short-term part 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 is planned until 2023 to finance working capital. At present, their repayment date is 31 December 2021 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.

In order to ensure liquidity, the Group plans to increase the positive operating cash flow in 2021. It is planned that in 2021 EBITDA will reach 2.3 million. EUR, of which 2.0 million. EUR is planned to be used for loan repayment and servicing.

On November 23, 2020, the budget of 2021 was approved by the decision of the Council of AS Sakret Holdings. The main focus is on the stable development and long-term growth of the Group's companies

These financial statements have been prepared on a going concern basis and do not include any adjustments that may be required if the going concern assumption were not applicable.

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

The Company 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 Company's historical observed default rates. The Company 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.

3.3. Provision for expected credit losses of trade receivables and contract assets (cont'd)

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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3.4. 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 Company 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 (See Note 13).

4. Revenue from contracts with customers

	2020 EUR	2019 EUR
Management and financial control services*	948 239	441 346
Product development	32 183	57 006
TOTAL	980 422	498 352

*Until 31 December 2019, part of management and consulting functions were transferred by AS Sakret Holdings to employees of a subsidiaries, who performed them for the benefit of all Sakret Group companies. In 2020 management and consulting functions were performed by AS Sakret Holdings employees.

The main business of the the Company is provision of management and financial control services as well as product development services. The Company's customers are its subsidiaries. The normal credit term is 30 days from the date of invoicing.

Procurement services

There are contracts with subsidiaries to acquire, on their behalf, raw materials and other goods for manufacturing purposes. The Company is acting as agent in these arrangements. Payment is due upon receipt of the goods by the customer.

5. Cost of Sales

	2020 EUR	2019 EUR
Remuneration for work (Note 10)	470 232	169 780
Mandatory state social security contributions and entrepreneurial Risk duty (Note 10)	113 142	40 953
Depreciation expenses (Note 12)	62 859	862
Business consulting services	54 950	37 545
Transport expenses	45 364	3 790
Legal services	41 262	33 871
Management insurance	15 900	17 000
Short-term leases	524	524
Other expenses	46 861	31 448
TOTAL	851 094	335 773

5. Cost of Sales (cont'd)

Until 31 December 2019, part of management and consulting functions were transferred by AS Sakret Holdings to employees of a subsidiaries, who performed them for the benefit of all Sakret Group companies. In 2020 management and consulting functions were performed by AS Sakret Holdings employees.

6. Other operating expense

	2020 EUR	2019 EUR
Impairment of investment in a subsidiary (Note 13)	2 000 000	1 038 895
Other operating expenses	1 925	778
TOTAL	2 001 925	1 039 673

Management has performed impairment test of investment in UAB Sakret LT. Management believes that investment in subsidiary UAB Sakret LT is impaired and its carrying amount as at 31 December 2020 is 1 581 483 (as at 31 December 2019: EUR 0). See also Note 13.

7. Finance income

	2020 EUR	2019 EUR
Interest received from related companies	365 881	-
Long-term creditor adjustment	-	1 612 288
TOTAL	365 881	1 612 288

In 2019, the Sakret Group has successfully settled its liabilities to Luminor Bank AS. The Company 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, Company's profit for the year 2019 has increased by EUR 1 612 288.

8. Income tax expense

Current and deferred corporate income tax

	2020 EUR	2019 EUR
Current corporate income tax charge for the reporting year*	11 876	-
Deferred corporate income tax due to changes in temporary differences	-	-
Corporate income tax charged to the statement of comprehensive income:	11 876	-

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

The Board of the Company recommends covering the losses of the reporting year with retained earnings of prior periods.

9. Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders of the Company 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 Company:

	2020 EUR	2019 EUR
Net profit attributable to shareholders of the parent	(2 046 364)	682 637
Weighted average number of shares	750 000	750 000
Earnings per share (EUR):	(2,73)	0,91

10. Staff costs and number of employees*

	2020 EUR	2019 EUR
Remuneration for work	454 953	169 608
Mandatory state social security contributions and entrepreneurial Risk duty	109 461	40 238
Changes in vacation pay reserve	18 960	887
TOTAL	583 374	210 733

*Until 31 December 2019, part of management and consulting functions were transferred by AS Sakret Holdings to employees of a subsidiaries, who performed them for the benefit of all Sakret Group companies. In 2020 management and consulting functions were performed by AS Sakret Holdings employees.

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	155 096	10 963
Mandatory state social security contributions and entrepreneurial Risk duty	37 375	2 654
TOTAL	192 471	13 617

	2020	2019
Average number of employees during the reporting year	15	12
TOTAL	15	12

11. Intangible assets

	Licenses	TOTAL
	EUR	EUR
Cost		
At 31 December 2019	-	-
Additions	15 903	15 903
At 31 December 2020	15 903	15 903
Depreciation and impairment		
At 31 December 2019	-	-
Amortization charge for the year	-	-
At 31 December 2020	-	-
Closing net carrying amount		
At 31 December 2019	-	-
At 31 December 2020	15 903	15 903

12. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Right of use asset*	TOTAL
	EUR	EUR	EUR
Cost			
At 1 January 2019	2 586		2 586
Additions	-	-	-
At 31 December 2019	2 586	-	2 586
Additions	6 037	177 014	183 051
Disposals	-	(2 363)	(2 363)
At 31 December 2020	8 623	174 651	183 274
Depreciation and impairment			
At 1 January 2019	703		703
Depreciation charge for the year	862	-	862
At 31 December 2019	1 565	-	1 565
Depreciation charge for the year	682	62 177	62 859
Disposals	-	(2 363)	(2 363)
At 31 December 2020	2 247	59 814	62 061
Closing net carrying amount			
At 1 January 2019	1 883	-	1 883
At 31 December 2019	1 021	-	1 021
At 31 December 2020	6 376	114 837	121 213

* Until 31 December 2019, part of management and consulting functions were transferred by AS Sakret Holdings to employees of a subsidiaries, who performed them for the benefit of all Sakret Group companies. In 2020 management and consulting functions were performed by AS Sakret Holdings employees. As a result, part of right of use assets was also transferred to AS Sakret Holdings from other Group companies.

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

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 2.4).

Pledges and other encumbrances on property

All shares of the Company 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.

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)	62 859	862
TOTAL	62 859	862

13. Investments in subsidiaries

Company	31/12/2020				31/12/2019			
	%	Cost	Impairment	Net	%	Cost	Impairment	Net
SIA SAKRET	100%	142	-	142	100%	142	-	142
SIA SAKRET PLUS	90%	128	-	128	90%	128	-	128
UAB SAKRET LT	100%	4 620 378	(3 038 895)	1 581 483	100%	1 038 895	(1 038 895)	-
OU SAKRET	100%	440 100	-	440 100	100%	440 100	-	440 100
TOTAL		5 060 748	(3 038 895)	2 021 853		1 479 265	(1 038 895)	440 370

The Company at least once a year evaluates whether there is any indication that investments are impaired. If any such indication exists, the Company performs an impairment test to evaluate the possible impairment need.

As at 31 December 2020, the Company'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. Each subsidiary is 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 is less than 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 31 December 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%. 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.

13. Investments in subsidiaries (cont'd)

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.

Based on the impairment test performed for UAB Sakret LT, the Company's management recognized an impairment amounting to EUR 2mil in 2020. The total contribution is EUR 4 620,4 thousand, of which EUR 1 038,9 thousand were recognized as impairment in 2019 and EUR 2 000,0 thousand in 2020. Net book value of investment in UAB Sakret LT as at 31 December 2020 is EUR 1 581 483 (31 December 2019: EUR 0).

AS Sakret Holdings provided a letter of financial support dated 19 January 2021 to the extent that is required for UAB Sakret LT to meet its financial obligations if they fall due

Legal address and type of business of the subsidiaries:

Company	Information	Type of business
SIA SAKRET	registered in the Republic of Latvia, the unified registration No. 40003622109, legal address: "Ritvari", Rumbula, Stopinū novads, LV2121	Production of dry buildings materials and sale of dry, ready for use building materials, chemicals and paints.
SIA SAKRET PLUS	registered in the Republic of Latvia, the unified registration No. 40003749392, legal address: "Ritvari", Rumbula, Stopinū novads, LV2121	Production and sale of ready for use building materials, chemicals and paints.
UAB SAKRET LT	registered in the Republic of Lithuania, registration No. 3005988522, legal address: Blochemikų str. 2, LT-57234, Kėdainiai, Lithuania	Production and sale of dry, ready for use building materials, chemicals and paints.
OU SAKRET	registered in the Republic of Estonia, registration no. 111961147, legal address: Māo village, Paide parish, 72751 Järva County, Estonia	Production of dry buildings materials and sale of dry, ready for use building materials, chemicals and paints.

Financial information of the subsidiaries:

Company	Equity		Net profit/(loss)	
	31/12/2020 EUR	31/12/2019 EUR	2020 EUR	2019 EUR
SIA SAKRET	2 591 313	1 785 118	806 195	2 790 225
SIA SAKRET PLUS	2 171 619	2 042 954	128 665	93 665
UAB SAKRET LT	(2 660 825)	(6 041 828)	(200 481)	(762 879)
OU SAKRET	1 840 231	1 511 789	328 442	4 428 658
TOTAL	3 942 338	(701 967)	1 062 821	6 549 669

*As a result of reorganization of Group's liabilities performed in October 2019, part of liabilities was forfeited by Luminor Bank AS. As a result of forfeited liabilities, subsidiaries of AS Sakret Holdings have recognized additional income of EUR 6 881 387 in 2019.

14. Loans to related companies

Non-current:	Agreement No. and currency	Effective interest rate (%)	Maturity	31/12/2020 EUR	31/12/2019 EUR
OU SAKRET	Nr. FC/19-002, EUR	6 month Euribor + 9%	31.08.2023	883 934	927 518
SIA SAKRET	Nr. FC/19-001, EUR	6 month Euribor + 9%	31.08.2023	-	927 518
UAB SAKRET LT	Nr. FC/19-003, EUR	6 month Euribor + 9%	31.08.2023	-	927 518
UAB SAKRET LT	Nr. FC/19-004, EUR	6 month Euribor + 7%	31.08.2023	-	881 576
TOTAL				883 934	3 664 130

As of July 2020 SAKRET SIA and UAB SAKRET LT have repaid their loans in full. Management has assessed recoverability of loans to related party and believes that there are no impairment indicators and loans are fully recoverable. The loans are unsecured.

15. Other loans

Current:	Currency	Effective interest rate (%)	Maturity	31/12/2020 EUR	31/12/2019 EUR
„Māris un Partneri” SIA	EUR	3.5%	31.12.2020	-	35 572
TOTAL				-	35 572

As of 31 December 2020 loan is repaid in full.

16. Trade receivables

	31/12/2020 EUR	31/12/2019 EUR
Trade receivables from related parties	574 651	1 493 244
Other trade receivables	2 264	-
TOTAL	576 915	1 493 244

17. Other receivables

	31/12/2020 EUR	31/12/2019 EUR
Interest		
OU SAKRET	45 852	15 782
UAB SAKRET LT	48 283	29 658
SIA SAKRET	-	24 621
Taxes (Note 22)	823	-
Other	862	10 133
TOTAL	95 820	80 194

18. Share capital

As at 31 December 2020, the registered and fully paid share capital of the 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 EUR 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.

18. Share capital (cont'd)

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

19. Other borrowings

Non-current:	Agreement No. and currency	Interest rate (%)	Maturity	31/12/2020 EUR	31/12/2019 EUR
Bond	Terms of the notes issue, EUR	9%	30.08.2024.	2 941 698	2 782 555
TOTAL				2 941 698	2 782 555

During 2019, the loan liabilities of Sakret Group companies to AS Luminor Bank were refinanced, thus canceling all liabilities to AS Luminor Bank. For this purpose, the Group attracted financing from AS BlueOrange Bank in the amount of EUR 6 million (EUR 4 million long-term loan, EUR 2 million overdrafts), as well as a bond issue in the amount of EUR 3 million. In addition, AS BlueOrange Bank has granted a credit line with a limit of EUR 1.7 million to finance the Group's working capital. The refinancing plan implemented by Sakret and AS BlueOrange Bank serves as a basis for long-term cooperation. In August 2019, the Company registered a bond issue in the amount of EUR 3 790 000 with the Latvian Central Depository. The bond issue is secured by shares and assets of the Company and its subsidiaries. The bonds are issued at nominal values, their maturity is five years.

20. Leases

Company as a lessee

The Company has lease contracts for motor vehicles. Leases of motor vehicles generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

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

	Other fixtures and fittings, tools and equipment EUR	Total EUR
Cost		
As at 31 December 2019	-	-
Additions	177 014	177 014
Disposals	(2 363)	(2 363)
As at 31 December 2020	174 651	174 651
Depreciation		
As at 31 December 2019	-	-
Depreciation expense	62 177	62 177
Disposals	(2 363)	(2 363)
As at 31 December 2020	59 814	59 814
Net book value		
As at 31 December 2019	-	-
As at 31 December 2020	114 837	114 837

20. 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	-	-
Additions	159 861	-
Accretion of interest	6 226	-
Payments	(59 144)	-
As at 31 December	106 943	-
Current	47 040	-
Non-current	59 903	-

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

	2020 EUR	2019 EUR
Depreciation expense of right-of-use assets	62 177	-
Interest expense on lease liabilities	6 226	-
Expenses relating to short-term leases (distribution costs)	(7 626)	-
Expenses relating to short-term leases (administrative expense)	(51 518)	-
Total amount recognized in statement of comprehensive income	9 259	-

21. Trade payables

	31/12/2020 EUR	31/12/2019 EUR
Related parties	29 855	139 355
Other trade payables	10 862	63 325
TOTAL	40 717	202 680

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

22. Taxes payable

	31/12/2020 EUR	31/12/2019 EUR
State social insurance mandatory contribution	28 754	10 248
Personal income tax	16 385	8 753
Corporate income tax	962	-
Value added tax	(823)	9 687
Business risk state fee	5	9
Total:	45 283	28 697
Including credit	46 106	28 697
Debit (Note 17)	(823)	-

23. Accrued liabilities

	31/12/2020 EUR	31/12/2019 EUR
Expenses for which invoices have been received in the next financial year	42 995	41 607
Accrual for unused vacations	28 095	9 138
Transfer pricing correction*	25 060	185 237
TOTAL	96 150	235 982

* According to the Law on Taxes and Duties, transactions of related parties must be carried out at market value. When evaluating related party transactions in 2019 and 2020, by selecting comparable data to justify the prices applied within the group, a transaction adjustment was made in 2021, which relates to the 2020 financial year, and in 2020, which relates to the 2019 financial year.

24. Related party disclosures

The Company is controlled by Pārvaldības sistēmas SIA, which owns 100% of the AS Sakret Holdings shares.

Subsidiaries	Sales to related parties*	Purchases from related parties*	Amounts owed by related parties as at December 31 st **	Amounts owed to related parties as at December 31 st
	EUR	EUR	EUR	EUR
2020	965 679	51 285	244 427	29 855
SIA SAKRET (100%)	198 302	48 811	40 109	29 664
SIA SAKRET PLUS (90%)	8 527	158	6 534	191
OU SAKRET (100%)	399 129	-	75 022	-
UAB SAKRET LT (100%)	359 721	2 316	122 762	-
2019	1 158 874	33 732	1 009 972	139 355
SIA SAKRET (100%)	266 974	24 154	235 514	133 194
SIA SAKRET PLUS (90%)	5 027	1 890	7 898	2 287
OU SAKRET (100%)	385 433	3 875	260 433	3 874
UAB SAKRET LT (100%)	501 440	3 813	506 127	-
TOTAL for 2020:	965 679	51 285	244 427	29 855
TOTAL for 2019:	1 158 874	33 732	1 009 972	139 355

*The total amount of invoices issued and received during the specified period. Outstanding liabilities at the end of the year are not secured.

Related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties as at December 31 st	Amounts owed to related parties as at December 31 st
	EUR	EUR	EUR	EUR
SIA MĀRIS UN PARTNERI*	28	-	-	-
TOTAL for 2020:	28	-	-	-

*Entity with significant influence over the Group till 10.11.2020.

24. Related party disclosures (cont'd)

** The total receivables from related parties as at 31 December 2020 in accordance with Note 16 are EUR 574 651 (2019: EUR 1 493 244), the difference of EUR 330 224 (2019: EUR 483 272) can be explained by transfer pricing adjustments. According to the Law on Taxes and Duties, transactions with related parties must be carried out at market value. When evaluating transactions with related parties in 2019 and 2020, comparable data were selected to support the prices charged within the Group, and in 2021 and 2020 adjustments were made for transactions related to 2020 and 2019, respectively. The respective distribution of transfer pricing adjustment by subsidiaries is as follows: SIA "SAKRET" EUR 157 354 (2019: EUR 36 508), OU "SAKRET" EUR 68 253 (2019: 224 886), UAB "SAKRET LT" EUR 104 617 (2019: EUR 221 878).

Subsidiaries		Calculated interest*	Amounts owed by related parties as at December 31 st	Loan receivables owed by related parties as at December 31 st
		EUR	EUR	EUR
	2020	325 177	94 135	1 000 000
SIA SAKRET (100%)		94 621	-	-
OU SAKRET (100%)		127 702	45 852	1 000 000
UAB SAKRET LT (100%)		102 854	48 283	-
	2019	107 049	70 061	3 881 734
SIA SAKRET (100%)		61 599	24 611	1 000 000
OU SAKRET (100%)		15 792	15 792	1 000 000
UAB SAKRET LT (100%)		29 658	29 658	1 881 734
	TOTAL for 2020:	325 177	94 135	1 000 000
	TOTAL for 2019:	107 049	70 061	3 881 734

* The total amount of invoices issued and received for the specified period. Outstanding balances as at the year end are unsecured.

Related parties		Calculated interest*	Amounts owed by related parties as at December 31 st	Loan receivables owed by related parties as at December 31 st
		EUR	EUR	EUR
	2020	1 186	-	-
SIA MĀRIS UN PARTNERI*		1 186	-	-
	2019	1 245	-	35 572
SIA MĀRIS UN PARTNERI*		1 245	-	35 572
	TOTAL for 2020:	1 186	-	-
	TOTAL for 2019:	1 245	-	35 572

*Entity with significant influence over the Group till 10.11.2020.

25. Financial risk management

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

25. Financial risk management (cont'd)

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 Company is not exposed to cash flow interest rate risk since signed credit agreements do not include EURIBOR floating rate.

Liquidity risk

The Company'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 Company 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

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. Company manages its credit risk by continuously assessing the credit 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 Company's exposure to bad debts is minimized. The Company's counterparties in money transactions are local financial institutions and related parties. The Company's revenue from any of its related parties does not exceed 50% of its total turnover. Company's transactions with other customers except for other Group companies does not exceed 0.5% from its total turnover. As at 31 December 2020 the Company is minimally exposed to credit risk as its debtors are its subsidiaries.

Liquidity analysis (contractual discounted cash flows)

	31/12/2020 EUR	31/12/2019 EUR
Other borrowings	3 000 000	3 000 000
Trade payables	10 862	63 325
Payables to related companies	29 855	139 355
Total	3 040 717	3 202 680

The table below summarises the maturity profile of the Company'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
Other borrowings	-	-	-	3 790 000	-	3 790 000
Trade payables	-	10 862	-	-	-	10 862
Payables to related companies	-	20 453	9 402	-	-	29 855
Total	-	31 315	9 402	3 790 000	-	3 830 717

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
Other borrowings	-	-	-	3 790 000	-	3 790 000
Trade payables	-	63 325	-	-	-	63 325
Payables to related companies	-	139 355	-	-	-	139 355
Total	-	202 680	-	3 790 000	-	3 992 680

26. Fair value measurement

The Company's management believes that the carrying amounts of financial assets and financial liabilities do not differ materially from their fair values. The Company has certain financial liabilities at fixed rates. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair values that are not based on observable market data.

2020

	Fair value measurement using				
	Carrying amount	Total	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:					
Loans to related companies	883 934	883 934	-	-	883 934

2019

	Fair value measurement using				
	Carrying amount	Total	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:					
Loans to related companies	3 664 130	3 664 130	-	-	3 664 130
Other loans	35 572	35 572	-	-	35 572

2020

	Fair value measurement using				
	Carrying amount	Total	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:					
Other borrowings	2 941 698	2 941 698	-	2 941 698	-

2019

	Fair value measurement using				
	Carrying amount	Total	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:					
Other borrowings	2 782 555	2 782 555	-	2 782 555	-

27. 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.

			
Māris Kelpis	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

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Sakret Holdings AS

Qualified Opinion

We have audited the accompanying financial statements of Sakret Holdings AS (the Company) set out on pages 6 to 35 of the accompanying annual report, which comprise the balance sheet as at 31 December 2020, and the statements of comprehensive income, statements of changes in equity and 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, except for the effect of the matter described in the *Basis for qualified opinion* section, the accompanying 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 Qualified Opinion

As disclosed in 15 to accompanying financial statements the company has an investment in UAB Sakret LT amounting to EUR 4 620 378 as at 31 December 2020 and impairment for the balance amounting to EUR 3 038 895 (net value EUR 1 581 483). As at 31 December 2020 the Company's Management has prepared impairment test in respect of its investment in UAB Sakret LT and as a result has recognized only partial impairment of investment in amount of EUR 2 000 000. In our opinion, investment in UAB Sakret LT is not recoverable and should be fully impaired. Prior year audit opinion issued by us was qualified in respect of recoverable value of intercompany loans and receivables from UAB Sakret LT as of 31 December 2019, stating that as of 31 December 2019 additional impairment in the amount of EUR 2 639 397 must be recognized. Had the company correctly recognized impairment in the subsidiary profit before tax in year 2020 should be increased by EUR 1 057 914, retained earnings as at 31 December 2020 should be decreased by EUR 2 639 397 and investment in subsidiaries as at 31 December 2020 should be decreased by EUR 1 581 483. We cannot determine how incorrectly in 2020 recognised impairment amounting to EUR 1 057 914 should be split between 2019 and previous years.

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International 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 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 qualified opinion.

Reporting on other information

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

- the General information about the Company as set out on page 3 of the accompanying Annual Report;
- the Management Report as set out on pages 4 to 5 of the accompanying annual report.

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

Our opinion on the 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.



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

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for the effect of the matter on management report described in the *Basis for qualified opinion* section above, 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.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required



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to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ERNST & YOUNG BALTIC SIA

Licence No. 17

Iveta Vimba
Member of the Board

Riga, 15 April 2021

Dace Negulinere
Latvian Certified Auditor
Certificate No. 175