JOINT STOCK COMPANY
"STORENT INVESTMENTS"
(UNIFIED REGISTRATION NUMBER 40103834303)

ANNUAL REPORT FOR YEAR 2019

(the 6th financial year)

PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
AND INDEPENDENT AUDITORS' REPORT

Riga, 2020

CONTENT

General information

Name of the company	"STORENT INVESTMENTS"
Legal status	Joint Stock Company
Number, place and date of registration	40103834303 Riga, 7 October 2014
Registered and business address	Matrožu iela 15a Riga, Latvia, LV-1048
Shareholders	Levina Investments S.A.R.L. (Luxembourg) 73% (from 31.01.2017) Bomaria SIA 13.5% (from 01.09.2018) Supremo SIA 13.5% (from 01.09.2018) Levina Investments S.A.R.L. (Luxembourg) 73% (from 31.01.2017) Perle Consultancy LTD (Cyprus) 13.5% (from 31.01.2017 till 31.08.2018) TORRINI LTD (Cyprus) 13.5% (from 31.01.2017 till 31.08.2018)
Board of the Company	Andris Bisnieks, member of the Board Andris Pavlovs, member of the Board
Council of the Company	Kabcenell Nicholas John, chairman of the Council (from 11.12.2017) Onkele Baiba, member of the Council (from 11.12.2017) Burak Dalgin, member of the Council (from 04.04.2019) Jozwiak Michal Lukasz, member of the Council (until 04.04.2019)
Annual report prepared by	Marina Grigore Chief accountant of Storent Investments AS
Type of activity	Supervision and management of subsidiaries; performance of functions of strategic and organisational planning and decision-making.
NACE code	70.10 Activities of head offices (NACE rev. 2.0)
Reporting year	1 January 2019 – 31 December 2019
Previous reporting year	1 January 2018 – 31 December 2018
Name and address of the independent auditor and the responsible certified auditor	Deloitte Audits Latvia SIA License No. 43 Grēdu iela 4a, Riga, LV-1019, Latvia Jana Nikandrova Certified auditor Certificate No. 215

Management report

Type of activity of the Company

Storent Investments AS (hereinafter referred to as the "Company") was established on 7 October 2014 and this is the sixth reporting year of the Company. The Company was established along with the entry of a new financial investor and is a parent company of the Storent Group. The main type of activity of the Company is to provide management and consultancy services to subsidiaries, which accounts for the most part of the Company's turnover.

Development of the Company and results of financial operations in the reporting year

The main type of activity of the Company is related to provision of all the companies of the Storent group with financial resources, region differentiated sales strategies and activities, marketing initiatives and support of Storent brand, information technology systems, as well as provision of management services to related companies. In the reporting year, the Company increased its turnover by 9% reaching 6.7 million euro. The reporting year closed with a profit of EUR 963,316. The financial stability of the Company is supported by a thorough balance sheet structure. Long-term investments amount to 79% of total assets of the Company. Equity amounts to 65% of the total balance sheet amount.

In 2019, the Storent group continued to strengthen its position on the Baltic rental market and still keeps a stable position among top 3 largest rental companies. Construction volumes were steady in all three Baltic countries, allowing to increase our sales volumes. Despite strong price competition among rental companies, rental revenue in the Baltic region increased by 14% with the highest increase being observed in Latvia, where Storent is equipment rental market leader and in Lithuania with its highest construction volume growth rate. Baltic region accounts for approximately 75% of Storent group rent incomes.

In 2019 Estonian construction market volume stayed on the previous year level. Market is expected to show modest growth in construction volumes in 2020, although there's wide pipeline of various construction projects to be realized through the year.

Latvian construction market increased by 2,9% in 2019. Highest growth rate was achieved in specialized construction works with almost 7,8% and in building construction with 1%. There is a number of large and medium scale projects including ones EU financed to be started in 2020, which provides confidence in further positive trend of construction market. Labour shortage drives up wage level making construction industry more attractive for jobseekers.

Lithuanian construction market grew by 13% in 2019. Largest increase was in civil engineering segment with 12% growth. Residential and non-residential segments had grown by 17% and 19%, respectively. There are many EU financed construction related projects to be realized in 2020.

Nordic operations have decreased by 11% compared to 2018. There's been small decrease of construction volumes in Sweden in 2019, and the same trend is expected to continues in 2020. Finnish market showed growth of 3,5% in 2019 and it's expected to be steady through 2020.

Finnish operation showed decrease in the first part of the year, but after revised sale strategy and stabilizing the team, sales returned to the level of Q4 2018. New rental depo in Tampere was opened in summer and in November company changed its name to Storent. Swedish operations had small decrease mostly related to high level of employee turnover and unsteady customer portfolio. Swedish customers are more cautious in choosing their business partners. They require a longer period of evaluation of cooperation. Our main focus has been on structuring sales process, enlarging sales team and shipping additional fleet in order to continue to grow and penetrate new market segments.

Kaliningrad operation has seen revenues decrease. Although official sources report construction market growth, construction activities are ensured mostly by state financed projects. Customers insolvencies remain to be one of key factors for reduced rent incomes. We see a number of large construction projects started in December, which should serve as driver for rent incomes growth in 2020.

Investment plan for rental assets for 2019 in amount of 7 million euros has been realized and new machines have been delivered to designated countries. Flexible approach to fleet rotation among Storent group companies ensured quicker response to construction market changes and overall, more efficient fleet usage.

The future development of the Company

The Company management plans to continue development of its activities supporting its subsidiaries and fostering growth of the entire Storent group.

Taking into account Covid-19 impact on construction industry Management has postponed investment implementation and has asked for grace periods for principal repayments of borrowings and leasing's. Management estimates that construction industry will recover after Covid-19 pandemic impact on business operation in the autumn of 2020 yet, since rental industry is seasonal, management believes that the construction volumes will return in the level of 2019 and continue to grow only starting spring 2021.

The Company management proposes to leave profit of the reporting year undistributed.

Financial risk management

The Company's key principles of financial risk management are laid out in Note 25.

Conditions and events after the end of the reporting year

Except for information disclosed in Note 29, during the period between the last day of the financial year and the date of signing of these financial statements there have been no other significant events that would have require adjustments or disclosure in the financial statements.

The management report was signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks Member of the Board	Andris Pavlovs Member of the Board

The annual report was approved at the general shareholders' meeting on 29 April 2020.

Statement of management's responsibility

The management of Storent Investments AS confirms that the financial statements present fairly the financial position of Storent Investments AS at 31 December 2019 and 2018 and its financial performance and cash flows for 2019 and 2018. The above-mentioned financial statements have been prepared according to the International Financial Reporting Standards adopted by the European Union. During the preparation of the financial statements of Storent Investments AS the management:

- used and consequently applied appropriate accounting policies;
- provided reasonable and prudent judgements and estimates;
- applied a going concern principle except where the application of this principle was not grounded.

The management of Storent Investments AS is responsible for maintaining appropriate accounting records that would provide a fair presentation of the financial position of Storent Investments AS at a particular date and financial performance and cash flows and enable the management to prepare the financial statements according to the International Financial Reporting Standards adopted by the European Union.

This statement of management's responsibility was signed on 29 April 2020 by:

Andris Bisnieks Member of the Board	Andris Pavlovs Member of the Board

Statement of comprehensive income

	Note	2019 EUR	2018 EUR
Net revenue	3	6 668 070	6 090 902
Personnel costs	8	(2 116 077)	(2 096 098)
Other operating expenses	4	(1 658 947)	(1 485 795)
Deprecation and amortization	*5*	(767 464)	(520 201)
Other income	*6*	568 187	563 720
Finance costs	*7*	(1 393 054)	(1 062 168)
Impairment losses	*11, 20b*	(337 399)	-
Profit before income tax		**963 316**	**1 490 360**
Corporate income tax		-	-
Profit for the year		963 316	1 490 360
Total comprehensive income for the year		**963 316**	**1 490 360**
Operating profit per share		0.029	0.045

The notes on pages 12 to 36 are an integral part of these financial statements.
These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief Accountant

Statement of financial position

ASSETS

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Intangible assets			
Licences and similar rights		153 018	231 600
Intangible investments		1 465 452	891 233
TOTAL	9	**1 618 470**	**1 122 833**
Property, plat and equipment			
Other fixed assets		81 374	130 896
TOTAL	9	**81 374**	**130 896**
Rights of use assets			
Other fixed assets	10	90 129	-
TOTAL		**90 129**	-
Other non-current assets			
Investments in subsidaries	11	33 529 851	30 202 757
Loans to related parties	20 b	8 150 674	10 257 949
TOTAL		**41 680 525**	**40 460 706**
TOTAL NON- CURRENT ASSETS		**43 470 498**	**41 714 436**
CURRENT ASSETS			
Trade and other receivables			
Trade receivables		21 844	5 183
Trade receivables from related parties	20 a	8 735 387	6 175 384
Other receivables	12	14 188	16 770
Deferred expenses	13	62 814	21 356
TOTAL		**8 834 233**	**6 218 693**
Cash and cash equivalents	14	2 524 418	3 185 057
TOTAL CURRENT ASSETS		**11 358 651**	**9 403 750**
TOTAL ASSETS		**54 829 149**	**51 118 185**

The notes on pages 12 to 36 are an integral part of these financial statements.
These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief Accountant

Statement of financial position

EQUITY AND LIABILITIES

	Note	31.12.2019	31.12.2018
EQUITY			
Share capital	15	33 316 278	33 316 278
Previous reporting periods retained earings		1 566 125	75 765
Profit of the reporting year		963 316	1 490 360
TOTAL EQUITY		**35 845 719**	**34 882 403**
LIABILITIES			
Long-term liabilities			
Lease liabilities	23	55 484	46 657
Borrowings from related parties	20 c	616 651	732 234
Other borrowing	21	3 466 081	3 597 885
Issued bonds	22	-	8 091 389
TOTAL		**4 138 216**	**12 468 165**
Short-term liabilities			
Lease liabilities	23	34 446	8 268
Issued bonds	22	9 932 913	-
Other borrowings	21	3 626 992	2 784 028
Trade payables		583 312	206 150
Payables to related parties	20 a	-	36 723
Corporate income tax		5 920	5 920
Taxes and mandatory state social insurance contributions	19	70 624	54 743
Other provisions	16	427 815	422 305
Other liabilities	17	54 885	55 062
Accured liabilities	18	108 308	194 418
TOTAL		**14 845 214**	**3 767 617**
TOTAL LIABILITIES		**18 983 430**	**16 235 782**
TOTAL EQUITY AND LIABILITIES		**54 829 149**	**51 118 185**

The notes on pages 12 to 36 are an integral part of these financial statements.
These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief Accountant

Statement of cash flows

	Note	2019 EUR	2018 EUR
Cash from operating activities			
Profit before tax of the reporting period		963 316	1 490 360
Adjustments:			
Amortisation of intagible assets and depreciation of fixed assets	5	767 464	520 201
Loss from fixed assets disposals		4 059	-
Interest and similar expenses	7	1 387 005	1 062 168
Interest and similar income	6	(568 187)	(558 435)
Impairment losses	11, 20b	337 399	-
Result of operations before changes in working capital		***2 891 056***	***2 514 294***
Decrease/ (increase) of inventories		-	2 200
(Increase) in receivables		(2 052 726)	(1 231 397)
(Reduction)/ increase in payables		275 541	(511 501)
Gross cash flows from operations		***1 113 871***	***773 596***
Interest paid		(1 292 468)	(944 706)
Net cash flows used in operating activities		**(178 597)**	**(171 110)**
Cash flows from investing activities			
Acquisition of intagible investments and fixed assets	9, 10	(1 247 636)	(931 363)
Loan repayment		3 222 276	479 787
Increase of share capital of subsidaries	11	(3 634 120)	(1 285 775)
Loans issued		(1 140 000)	(130 000)
Net cash flows used in investing activities		**(2 799 480)**	**(1 867 351)**
Cash flows from financing activities			
Proceeds from issued bonds		1 755 000	3 120 000
Loans received		4 215 883	2 156 984
Repayment of borrowings and bonds		(3 628 314)	(4 725 240)
Lease payments		(25 131)	(21 825)
Net cash flows from financing activities		**2 317 438**	**529 919**
Net (Decrease) / increase in cash		(660 639)	(1 508 542)
Cash at the beginning of the reporting year		3 185 057	4 693 599
Cash at the end of the reporting year	14	**2 524 418**	**3 185 057**

The notes on pages 12 to 36 are an integral part of these financial statements.
These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief Accountant

Statement of changes in equity

	Share capital	Previous years retained earings/ (uncovered losses)	Profit/ (loss) of the reporting year	Total
31 December 2017	**33 316 278**	**160 509**	**(84 744)**	**33 392 043**
Carrying over of loss of the previous year	-	(84 744)	84 744	-
Profit for the reporting year	-	-	1 490 360	1 490 360
31 December 2018	**33 316 278**	**75 765**	**1 490 360**	**34 882 403**
Carrying over of profit of the previous year	-	1 490 360	(1 490 360)	-
Profit for the reporting year	-	-	963 316	963 316
31 December 2019	**33 316 278**	**1 566 125**	**963 316**	**35 845 719**

The notes on pages 12 to 36 are an integral part of these financial statements.

These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief Accountant

Notes to the financial statements

1. General information about the Company

STORENT INVESTMENTS AS (hereinafter – the Company) was registered in the Register of Enterprises of the Republic of Latvia on 7 October 2014. Registered address of the Company is Matrožu iela 15a, Riga. In November 2014 the Company became the Parent company of the Storent Group. Starting from 20 November 2014 the largest shareholder of the Parent company of the Storent Group is LEVINA INVESTMENTS S.A.R.L (Luxembourg).

The main type of activity of the Company is related to provision of all the companies of the Storent group with financial resources, maintenance of the Storent brand and information technology systems, as well as provision of management services of related companies.

The financial statements of the Company for 2019 were approved by the decision of the Board on 29 April 2020.

2. Summary of significant accounting policies

(a) The framework for the preparation of financial statements

Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the interpretations issued by the International Financial Reporting Issues Committee as adopted by the EU. These financial statements are intended for general information and have not been prepared for any specific user or for consideration of any specific transaction. Accordingly, these financial statements should not be relied upon as the only source of information when making decisions.
The amounts shown in these Financial Statements are derived from the Companies accounting records, appropriately reclassified for recognition, measurement and presentation in accordance with the IFRS as adopted by the EU.
The financial statements were prepared according to the historical cost basis. The monetary unit used in the financial statements is the official currency of the Republic of Latvia – the Euro. The financial statements cover the period from 1 January 2019 until 31 December 2019. The financial statements have been prepared in accordance with below mentioned measurement and recognition principles. These principles were also used in the previous reporting year, unless stated otherwise.

The consolidated financial statements of STORENT INVESTMENTS AS are prepared separately.

(b) Use of estimates

Requirements of the Latvian legislation set out that the preparation of financial statements requires the management of Company to make assumptions that affect the amounts of assets, liabilities reported in the statements and off-balance at the day of preparation of financial statements, as well as shown income and expenses of the reporting period. Actual results could differ from these estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty, which exist at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

Carrying amounts of investments in subsidiaries and issued loans

The Company management evaluates the carrying amounts of investments in subsidiaries and issued loans and assesses whenever indications exist that assets' recoverable amounts are lower than their carrying amounts. The Company management calculates and records an impairment loss on investments in subsidiaries and issued loans based on the estimates related to the future return on them. The Company management believes that no significant adjustments to the carrying amounts of investments in subsidiaries and issued loans are necessary as of 31 December 2019. Please see Note 11 for more information.

Carrying amounts of intangible assets and fixed assets

The Company's management evaluates the carrying amounts of intangible assets and fixed assets, and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on intangible assets and fixed assets based on the estimates related to the expected future use, alienation or sale of the assets. Taking into consideration the Company's planned level of activities and the estimated market value of the assets, the Company's management considers that no significant adjustments to the carrying amounts of intangible assets fixed assets are necessary as of 31 December 2019.

Uncertain tax position

With adoption of IFRIC 23 management has evaluated its tax position and believes that no material provisions are necessary for uncertain tax positions as at 31 December 2019.

2. Summary of significant accounting policies (cont.)

Allowance for doubtful and bad trade receivables

The Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that it is not necessary to make any additional significant allowances as of 31 December 2019.

Useful lives of intangible assets and fixed assets

Useful lives of intangible assets and fixed assets are reviewed at each balance sheet date and changed, if necessary, to reflect the Company's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilization of the assets and their physical condition.

(c) Foreign currency conversion

The monetary unit used in the financial statements is the official currency of the European Union (hereinafter – "EUR"), which is Company's functional and presentation currency.

All transactions in foreign currency are converted to EUR based on the European Central Bank exchange rate on trade date. On the balance sheet date, foreign currency monetary assets and liabilities are translated at the European Central Bank exchange rate as at 31 December.

European Central Bank exchange rates:

	31.12.2019. EUR	31.12.2018. EUR
1 USD	0.89015	0.87305
1 GBP	1.17536	1.10775
1 NOK	0.10138	0.10026
1 SEK	0.09572	0.09730
1 RUB	0.01429	0.01257

Profit or losses from these transactions, as well as from the foreign currency monetary assets and liabilities denominated in EUR, are recognized in the income statement.

(d) Intangible assets

Intangible assets are measured at historic cost amortised on a straight-line basis over the useful life of the assets, taking into account that useful life is 3-5 years. If some events or a change in conditions indicates that the carrying value of an intangible asset may not be recoverable, the value of the respective intangible asset is reviewed for impairment. Impairment loss is recognised if the carrying value of the intangible assets exceeds its recoverable amount.

(e) Property, plant and equipment

Property, plant and equipment are carried in their historic cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives:

Other fixed assets	2 - 5 years.

Depreciation is charged in the month following the month when an item of property, plant or equipment was put into operation or used for business purposes. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total costs of the item shall be depreciated separately. If the company depreciates some parts of a fixed asset individually, the remaining parts of this fixed asset are also depreciated individually. The balance consists of those parts of the fixed asset, which are not important by themselves. Depreciation of the remaining parts is calculated, using approximation methods in order to genuinely reflect their useful life.

If some events or a change in conditions indicates that the carrying value of a fixed assent may not be recoverable, the carrying value of the respective asset is reviewed for impairment. If impairment indications exist and if the carrying value of the asset exceeds the estimated recoverable amount, the carrying value of the asset or the cash-generating unit is reduced to the recoverable amount. The recoverable amount on an item of property, plant or equipment is the higher of net disposal value and value in use. When estimating the value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money of the asset value changes and related risks.

If an asset does not generate significant cash flows, to estimate its recoverable amount the recoverable amount of the cash generating unit to which an asset belongs must be determined. Impairment loss is recognised in the income statement.

2. Summary of significant accounting policies (cont.)

(e) Property, plant and equipment (cont.)

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss (calculated as a difference between net disposal proceeds and the carrying amount of the item of item of fixed asset) arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss in the period when the item is derecognised.

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews whether there is any indication that an asset may be impaired. If any such indication exists or if the annual impairment test needs to be done, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell or its value in use. For value impairment testing purposes the assets are grouped at the lowest possible level for which the planned usage can be calculated separately. If the carrying value of an asset is higher than the recoverable amount, the impairment loss is recognised and the carrying value of the asset is reduced to its recoverable amount. When determining value in use, the estimated usage of the equipment and the average rental price is considered for the purposes of the calculation of the budgeted revenue and payback period of the initial investments. To determine the fair value less costs to sell appropriate valuation model is used. Impairment losses are recognised in income statement in the cost category corresponding to the function of the respective asset.

At each balance sheet date the Company reviews whether there is any indication that impairment loss recognised for an asset, except for goodwill, in prior periods could have reduced or no longer exist. If such indications exist the Company estimates the recoverable amount of the respective asset. Previously recognised impairment loss is reversed when and only when the estimates on the basis of which the recoverable amount of the asset was determined have changed since the last time the impairment loss was recognised. In such a case the carrying amount of an asset is increased to its recoverable amount. Where the value of an asset has increased, the carrying amount of the asset may not exceed as a result of the increase in the carrying value which would have resulted less depreciation were impairment loss not recognised in respect of the asset in prior years. Such increase in value is recognised in income statement.

(g) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost, lease receivables and trade receivables. All other debt instruments are measured at fair value through profit or loss (FVTPL). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

During 2019 the Company transitioned from using the general approach to simplified approach under IFRS 9. The change did not result in a material adjustment. The Company always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience over a two year period, adjusted for factors that are specific to the debtors. General economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money are not incorporated into the calculation.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(h) Investments in subsidiaries and associates and other financial investments

Investments in subsidiaries (i.e. where the Company holds more than 50% of interest in the share capital or otherwise controls the investee company) are measured initially at cost. Control is achieved where the Company has the power to govern the financial and operating policies of the investee company.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee company but is not control or joint control over those policies. Investments in associates are measured initially at cost.

Other financial investments represent investments in the share capital of another company which does not exceed 20% of the company's total share capital.

Subsequent to initial recognition, all investments are stated at historical cost less any accumulated impairment losses. The carrying amounts of investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit and loss.

2. Summary of significant accounting policies (cont.)

(i) Trade and other receivables

Trade receivables are carried and reflected in the balance sheet according to the initial amount of invoices less allowances created for doubtful debts. Allowances for doubtful debts are estimated, when it is no longer likely for the full debt amount to be received. Debts are written off, if they are deemed impossible to recover.

(j) Cash and cash equivalents

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

(k) Loans and borrowings

Loans and borrowings are initially reflected at their initial value, which is determined by adding costs related to the issue of the loan or subtracting costs related to the receiving of the borrowing to/from the fair value of the loan or borrowing amount.

After initial recognition, loans and borrowings are carried at their amortised value using the effective interest method. Amortized cost is calculated by taking into account any loan or borrowing issue costs, and any discount or premium related to loans or borrowings.

Gains or losses arising on amortisation are recognised in the income statement as income and expenses.

(l) Provisions

Provisions are recognised, when the Company has present obligation (legal or constructive) due to any past event and there is a probability that an outflow of resources from the Company including economic benefits will be required to settle this obligation, and the amount of the obligation can be measured reliably.

(m) Accrued liabilities for unused vacations

The amount of accrued liabilities is determined by multiplying average daily earnings of employees in the last 6 months by the number of unused vacation days accumulated at the end of the reporting year, in additional calculating employer's mandatory state social insurance contributions.

(n) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset is derecognised if

- the contractual rights to the cash flows from the financial asset expire;
- the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on and earlier arrangement without any profit arising,
- the Company transfers the contractual rights to receive the cash flows of the and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers no retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

If the Company transfers the contractual rights to receive cash flows from the respective financial assets but does not transfer nor retains the risks and rewards, nor transfers control over the respective financial asset, the asset continues to be recognised to the extent of the Company's continuing involvement. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continued involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Company may be required to repay.

Financial liabilities

A financial liability is derecognised, if the obligation specified in the contract is discharged or cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont.)

(o) Contingent liabilities and assets

No contingent liabilities are recognised in these financial statements. Contingent liabilities are recognised only if it the probability that an outflow of resources will be required is reasonably certain. Contingent assets in these financial statements are not recognised, yet they are reflected solely where the possibility that economic benefits related to operations will reach the Company is sufficiently substantiated.

(p) Leases

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over period of lease term.

2. Summary of significant accounting policies (cont.)

(q) Revenue recognition

Starting from 1 January 2018, the Company has applied and recognises income according to IFRS 15 “Income from contracts with customers”, using a 5-step model. The model consists of:

- Determination of contractual relations;
- Determination of contract performance obligation;
- Determination of transaction price;
- Attribution of transaction price to the performance obligation;
- Recognition of income, when the Company has fulfilled the performance obligation.

The following criteria are used for determination of contractual relations:

- The contractual parties have approved a contract and are committed to fulfil their liabilities;
- The Company may identify the rights of each party in relation to deliverable goods or services;
- The Company may identify settlement procedures for the goods or services;
- The contract has commercial nature;
- There is high possibility, that the Company will charge remuneration due to it in exchange for goods or services that will be transferred to the customer.

Determination of contract performance obligation
The performance obligation exists, if there is a good or service, which is separable and there is a range of separate goods and services, which are basically identical.

Determination of transaction price
For determination of transaction price, the Company uses the “expected value” method, which is based on the weighted average and actual variable value of remuneration under similar contracts.

The Company uses a relief in respect of the financing component and does not adjust the transaction price, because the period between the customer's payment and performance obligation does not exceed one year.

Attribution of the transaction price to the performance obligation
The Company uses the adjusted market assessment method for determination of the market price. A discount is applied proportionally for each performance obligation, based on the relative goods or services sales prices.

Compared to the previous income recognition policy, no significant corrections arise as a result of application of IFRS 15.

(r) Corporate income tax and deferred corporate income tax

Corporate income tax expenses are included in financial statement based on management calculations according to laws of Republic of Latvia.

Based on the Corporate Income tax law of the Republic of Latvia, starting from 1 January 2018 corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate is 20%.

In accordance with International Accounting Standard No 12 “Income Taxes” requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%. Therefore, no deferred tax assets and liabilities arise.

Transitional conditions provide that provisions which increased taxable income in the years till 2018 will be possible use to reduce taxable income in following years for the amount of their decrease. These provisions do not create deferred tax assets on 31 December 2017 and following years due to the fact that in situation when different tax rates are applicable on distributed and undistributed profit deferred tax has to be calculated using tax rate applicable to undistributed profit, i.e. 0%.

Starting from year 2018 corporate income tax is calculated at the profit distribution (20/80 from net amount to be paid to shareholders). Corporate income tax will is recognized as tax payable at the period when shareholders decide to distribute profit.

2. Summary of significant accounting policies (cont.)

(s) Transactions with related parties

Related parties include the subsidiaries of the Company, as well as shareholders, who have significant influence or control on the activities of the Company, council and board members, their close relatives and entities in which the aforementioned persons have significant influence or control.

(t) Post balance sheet events

Only such post balance sheet events are presented in the financial statements which provide additional information on the Company's financial position at balance sheet date (adjusting events). If post balance sheet events are not adjusting, they are disclosed in the financial statements only if they are material.

(u) International Financial Reporting Standards

These Financial Statements of the Company have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Interpretations issued by its International Financial Reporting Interpretations Committee (IFRIC) as endorsed by EU.

The amounts shown in these Financial Statements are derived from the Companies accounting records, appropriately reclassified for recognition, measurement and presentation in accordance with the IFRS as adopted by the EU.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 January 2019.
The Company has applied IFRS 16 using the cumulative catch-up approach which:
- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. Based on assessment of the Company, the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

2. Summary of significant accounting policies (cont.)

(u) International Financial Reporting Standards (cont.)

(b) Impact on Lessee Accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.
Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.
For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Other operating expenses' and in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Financial impact of the initial application of IFRS 16

Please refer to Note 10 for more information on effect of adoption of IFRS 16.

- **IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

Please refer to Note 20 (a) for more information on effect of adoption of IFRS 9.

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

Except for the effect of adoption of IFRS 16, the adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

2. Summary of significant accounting policies (cont.)

***(u) International Financial Reporting Standards** (cont.)*

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Company has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2019 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to 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 and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

3. Net revenue

By segment	2019 EUR	2018 EUR
Management and consultancy services	6 664 085	6 088 537
Rental revenue	3 985	2 365
TOTAL:	**6 668 070**	**6 090 902**

By geographical area	2019 EUR	2018 EUR
Latvia	2 375 792	2 103 074
Lithuania	1 532 051	1 408 783
Finland	1 315 149	1 118 414
Estonia	1 010 593	1 034 386
Sweden	369 583	356 384
Russia	64 902	69 861
TOTAL:	**6 668 070**	**6 090 902**

4. Other operating expenses

	2019 EUR	2018 EUR
IT expenses	911 834	691 339
Consultancy services *	191 242	254 426
Insurance costs	174 940	156 416
Marketing expenses	143 903	127 370
Administration transport costs	97 277	92 430
Legal services	57 328	81 277
Rent of offices and areas and maintenance costs	49 805	51 365
Other administration expenses	22 354	21 169
Communication expenses	10 264	10 003
TOTAL:	**1 658 947**	**1 485 795**

* including payments for audit and non-audit services to Deloitte companies:

	2019	2018
Financial statement auditing services	33 788	27 655
Permitted tax services	42 040	70 173
TOTAL:	**75 828**	**97 828**

5. Depreciation and amortisation

		2019 EUR	2018 EUR
Depreciation of intangible assets (see Note 9)		699 570	474 471
Depreciation of fixed assets for own needs (see Note 9)		38 970	45 730
Depreciation of rights of use assets (see Note 10)		28 924	-
	TOTAL:	**767 464**	**520 201**

6. Other income

		2019 EUR	2018 EUR
Interest income		568 187	558 435
Income from foreign exchange fluctuations, net		-	5 285
	TOTAL:	**568 187**	**563 720**

7. Finance costs

		2019 EUR	2018 EUR
Interest on borrowings		1 023 115	767 516
Interest for raised funding		363 888	294 652
Net foreign exchange losses		6 051	-
	TOTAL:	**1 393 054**	**1 062 168**

8. Personnel costs and number of employees

		2019 EUR	2018 EUR
Salaries		1 418 649	1 340 417
National social security mandatory contributions		342 276	323 025
Remuneration to contractors		317 851	204 900
Provisions for premiums (change)		5 510	(53 324)
Other personnel costs		31 791	281 080
	TOTAL:	**2 116 077**	**2 096 098**

Personnel costs by function:		**2019 EUR**	**2018 EUR**
Administration and finance staff		2 116 077	2 096 098
	TOTAL:	**2 116 077**	**2 096 098**

Incl. executive management remuneration:		**2019 EUR**	**2018 EUR**
Members of the Board			
Salaries		753 470	788 958
National social security mandatory contributions		181 511	189 854
	TOTAL:	**934 981**	**978 812**

8. Personnel costs and number of employees (cont.)

The Council does not receive remuneration.

	2019	2018
Average number of employees during the reporting year	11	10
TOTAL:	**11**	**10**

9. Intangible assets and property, plant and equipment

	Licences and similar rights	Other intagible assets	Other fixed assets and inventory	TOTAL
31 December 2017				
Historical cost	411 867	1 112 601	160 215	1 684 683
Accumulated amortisation and depreciation	(147 632)	(606 463)	(88 021)	(842 116)
Net carrying value	**264 235**	**506 138**	**72 194**	**842 567**
2018				
Net carrying value, opening	264 235	506 138	72 194	842 567
Additions	53 101	773 830	111 590	938 521
Disposals	-	-	(612)	(612)
Amortisation and depreciation	(85 736)	(388 736)	(52 276)	(526 748)
Net carrying value, closing	**231 600**	**891 232**	**130 896**	**1 253 728**
31 December 2018				
Historical cost	464 968	1 886 431	264 647	2 616 046
Accumulated amortisation and depreciation	(233 368)	(995 198)	(133 751)	(1 362 317)
Net carrying value	**231 600**	**891 233**	**130 896**	**1 253 729**
2019				
Net carrying value, opening	231 600	891 233	130 896	1 253 729
Additions	5 913	1 189 294	52 429	1 247 636
Lease assets transfered to ROU at 1 January 2019, cost	(138 795)	-	(83 906)	(222 701)
Lease assets transfered to ROU at 1 January 2019, depreciaton	85 590	-	24 984	110 574
Transfered from ROU at the end of the lease (book value)	53 205	-	-	53 205
Disposals, net	-	-	(4 059)	(4 059)
Amortisation and depreciation	(84 495)	(615 075)	(38 970)	(738 540)
Net carrying value, closing	**153 018**	**1 465 452**	**81 374**	**1 699 844**
31 December 2019				
Historical cost	470 881	3 075 725	254 095	3 800 701
Accumulated amortisation and depreciation	(317 863)	(1 610 273)	(172 721)	(2 100 857)
Net carrying value	**153 018**	**1 465 452**	**81 374**	**1 699 844**

Fully depreciated long-term investments and depreciated fixed assets

On 31 December 2019 long-term investments and fixed assets of the Company included assets with acquisition value of EUR 1 801 479 (31.12.2018: EUR 946 557), which were completely written down into depreciation costs and are still actively used in economic activity.

10. Rights of use assets

On 1 January 2019, the Company transferred to the position rights of use assets all fixed assets that are financed by financial leasing and were previously included in the balance sheet item Fixed assets. Such fixed assets are mainly from the Equipment and machinery group. The Company has entered into a number of cars rent agreements as a lessee under IFRS 16. For interest calculation discount rate of 10,3% is used.

	Licences and similar rights	Other fixed assets and inventory	TOTAL
	EUR	EUR	EUR
At 1 January 2019	-	-	**-**
Transfer of hisotoric cost from PP&E at 1 January 2019	138 795	83 906	**222 701**
Transfer of accumulated depreciation from PP&E at 1 January 2019	(85 590)	(24 984)	**(110 574)**
Additions	-	60 131	**60 131**
Transfered at the end of the lease (book value)	(53 205)	-	**(53 205)**
Disposals, net	-	-	**-**
Depreciation	-	(28 924)	**(28 924)**
2019	**-**	**90 129**	**90 129**
At 31 December 2019			
Historical costs	-	119 053	119 053
Accumulated depreciation	-	(28 924)	(28 924)
Net carrying value	**-**	**90 129**	**90 129**

The Company leases cars. The average lease term is 3.5 years.
The maturity analyses of lease liabilities is presented in Note 23.

Amounts recognized in profit and loss	Note	**2019 EUR**
Depreciation expense on right-of-use assets	10	(28 924)
Interest expense on lease liabilities	7	(4 464)
	Total:	**(33 388)**

11. Investments in subsidiaries

Company	Address	%	31.12.2019 EUR	31.12.2018 EUR
STORENT SIA	Zolitudes iela 89, Riga, LV-1046, Latvia	100	10 921 613	10 921 613
STORENT UAB	Savanorių pr. 180B-101, LT-03154 Vilnius, Lithuania	100	9 442 694	9 010 429
STORENT OU	Betooni 15 / Paneeli 5, Tallinn, 11415, Estonia	100	10 086 877	9 190 203
STORENT Holding Finland OY*	Virkatie 16, Vantaa, FI-01510, Finland	100	1 252 500	2 500
STORENT AS	Pb 1441 Vika, N-0116, Oslo, Norway	100	-	3 700
STORENT AB	Arrendevägen 50, 163 44, Spanga, Stockholm, Sweden	100	1 243 230	491 375
STORENT OOO	4 Bolshaja Okruznaja ulica 33, 236009, Kaliningrad, Russian Federation	100	582 937	582 937
		TOTAL:	33 529 851	30 202 757

Summary about STORENT Holding Finland OY subsidiary

Company	Address	%	31.12.2019 EUR	31.12.2018 EUR
STORENT OY*	Virkatie 16, Vantaa, FI-01510, Finland	100	1 258 409	8 409

*In November 2019 Storent Oy was renamed to Storent Holding Finland Oy and Leinolift Oy has changed its name to Storent Oy.

Movement of investments in subsidiaries	31.12.2019 EUR
At the beginning of the year	**30 202 757**
Investment in Storent OU	1,200,000
Investment in Storent UAB	432,265
Investment in Storent AB	751,855
Investment in Storent Holding Finland Oy	1,250,000
Impairment charge	(307 026)
TOTAL:	**33 529 851**

Movement of impairment	31.12.2019 EUR
At the beginning of the year	**-**
Impairment charge for Storent OU	(303 326)
Impairment charge for Storent AS	(3 700)
TOTAL:	**(307 026)**

The Company had following investments in its subsidiaries as at 31 December 2019

Name	Country	Business	Establishment / purchase date
Company			
STORENT SIA	Latvia	Renting of construction machinery and equipment	April 17, 2008
STORENT UAB	Lithuania	Renting of construction machinery and equipment	November 27, 2008
STORENT OU	Estonia	Renting of construction machinery and equipment	July 7, 2009
STORENT Holding Finland OY	Finland	Renting of construction machinery and equipment	September 4, 2012
STORENT AS	Norway	Renting of construction machinery and equipment	January 15, 2013
STORENT AB	Sweden	Renting of construction machinery and equipment	June 27, 2013
STORENT OOO	Russian Federation	Renting of construction machinery and equipment	1 August 2017

11. Investments in subsidiaries (cont.)

Name	Audited		Profit (loss) of the reporting year			Equity
	2019	2018	2019	2018	12/31/2019	12/31/2018
			EUR	EUR	EUR	EUR
STORENT SIA	no	yes	3,462,901	2,083,924	14,439,166	10,976,265
STORENT UAB	no	yes	(595,187)	(566,817)	(242,732)	(79,810)
STORENT OU	no	yes	(1,523,142)	(1,127,179)	(1,406,013)	(1,082,871)
STORENT Holding Finland OY	no	no	(663,188)	(459,593)	(585,683)	(1,066,176)
STORENT AS	no	no	(2,703)	(13,049)	(45,812)	(42,998)
STORENT AB	no	yes	(1,001,954)	(767,213)	(739,063)	(773,052)
STORENT OOO	no	no	42,098	(8,021)	355,565	275,682
STORENT OY (previously Leinolift Oy)	no	yes	(1,048,831)	(1,296,182)	2,393,348	(209,455)

The financial results of subsidiaries are compiled from the separate financial statements of subsidiaries drawn up in accordance with the legislative requirements of the country concerned. The Company management has evaluated the recoverable amount of each investment. It has been evaluated whether ownership interest in subsidiaries has been impaired. When performing an impairment test for ownership interest in subsidiaries, the recoverable amount – value in use – is determined by discounting future cash flows of each subsidiary. The calculation is based on the following assumption: each subsidiary is considered to be a separate cash-generating unit. Cash flows are planned based on actual results and 5-year business plan which uses the following assumptions: the parents' amortisation and depreciation costs, IT costs, management fee, insurance costs and interest expenses are allocated in the budget of each subsidiary according to fleet proportion in the subsidiary. By using the same fleet proportion all the Group's liabilities for equipment purchase are allocated in impairment calculation. Cash flows beyond that five-year period have been extrapolated using a steady 2 per cent (2018: 2 per cent) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in Baltics, Scandinavia and Kaliningrad. A post-tax discount rate of 10% was applied to determine the recoverable present value of assets. Discounted rate forecasts are based on the actual capital price of Storent group companies. Management expects revenue of Storent OU in 2020-2021 on same level as in 2019 and an average revenue growth of Storent OU of 12% between 2022-2024. As a result of impairment test, impairment in the amount of 303,326 EUR was charged to profit and loss.

The recoverable amount of long-term investments largely depends on the assumptions used in the assessment relating to net turnover growth and growth time, as well as the ability of Company's management to implement these assumptions and the development of the Baltic and Scandinavian construction market in general. Any unfavourable changes in these assumptions that may be caused by volatility of the market, where the Company is operating, may have a negative influence of the book value of Company's ownership reflected in the balance sheet as at 31 December 2019.

Sensitivity analysis

The Company has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the investments. Analysis of the sensitivity is based on same assumptions as impairment test and as described above. Main key assumptions, that can affect recoverable amount and impairment change is EBITDA budget execution and WACC rate.

Storent AB

Average revenue growth of Storent AB is budgeted 38% for 2020-2024. A 2,5% underperformance against budgeted sales with WACC rate 10% would reduce the headroom of 464 662 EUR to nil but would not result in an impairment charge. At the same time if WACC rate was lower by 0,5%, than a 7% underperformance against budgeted sales would reduce the headroom of 1,0m EUR to nil but would not result in an impairment charge.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of other investments is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related investments.

12. Other receivables

	31.12.2019 EUR	31.12.2018 EUR
Guarantee deposits	7 774	10 850
Other receivables	6 414	5 920
TOTAL:	**14 188**	**16 770**

13. Deferred expenses

	31.12.2019 EUR	31.12.2018 EUR
Other deferred expenses	62 814	21 356
Long-term deferred expenses:	**-**	**-**
Short-term deferred expenses:	**62 814**	**21 356**

14. Cash and cash equivalents

	31.12.2019 EUR	31.12.2018 EUR
Cash in bank, EUR	2 524 418	3 185 057
TOTAL:	**2 524 418**	**3 185 057**

15. Share capital

Registered share capital of the Company on 31.12.2019 and 31.12.2018 is EUR 33 316 278, consisting of 33 316 278 shares. The nominal value of a share is EUR 1. All shares have equal voting right and dividend entitlement.

Shareholders of the Company as at 31 December 2019:

Shareholder	Country	Number of shares	Amount EUR	Participating interest
Levina Investments S.A.R.L.	Luxembourg	24 320 882	24 320 882	73%
Supremo SIA	Latvia	4 497 698	4 497 698	13.50%
Bomaria SIA	Latvia	4 497 698	4 497 698	13.50%
	TOTAL:	**33 316 278**	**33 316 278**	**100%**

Shareholders of the Company as at 31 December 2018:

Shareholder	Country	Number of shares	Amount EUR	Participating interest
Levina Investments S.A.R.L.	Luxembourg	24 320 882	24 320 882	73%
Supremo SIA	Latvia	4 497 698	4 497 698	13.50%
Bomaria SIA	Latvia	4 497 698	4 497 698	13.50%
	TOTAL:	**33 316 278**	**33 316 278**	**100%**

16. Other provisions

	31.12.2019 EUR	31.12.2018 EUR
Provisions for bonuses	427 815	422 305
TOTAL:	**427 815**	**422 305**

17. Other liabilities

	31.12.2019 EUR	31.12.2018 EUR
Salaries	54 885	55 062
TOTAL:	**54 885**	**55 062**

18. Accrued liabilities

	31.12.2019 EUR	31.12.2018 EUR
Provisions for unused vacation	80 633	154 478
Other accrued liabilities	27 675	39 940
TOTAL:	**108 308**	**194 418**

19. Taxes and mandatory state social insurance contributions

	31.12.2019 EUR	31.12.2018 EUR
National social security mandatory contributions	44 844	34 759
Personal income tax	25 869	20 073
Value added tax	(84)	(84)
Risk duty	(5)	(5)
TOTAL:	**70 624**	**54 743**

20. Transactions with related parties

Related parties are subsidiaries of the Company, as well as its shareholders who can control the Company or who have a significant influence on the Company by taking decisions related to its principal activity, executives of the Company or its subsidiary and a close family member of any of the aforementioned private persons, as well as companies which are controlled by these persons or which have a significant influence on them.

20.(a) Transactions with related parties:

Related party	Year	Goods sold and services provided	Goods purchased and services received	Payables to related parties	Receivables from related parties
		EUR	EUR	EUR	EUR
Subsidiaries:					
STORENT SIA	2018	2,590,777	(28,662)	-	2,425,467
	2019	2,908,552	(110,083)	-	4,242,126
STORENT UAB	2018	1,409,441	(66,125)	-	962,866
	2019	1,532,051	(78,398)	-	1,189,255
STORENT OU	2018	1,034,630	-	-	604,698
	2019	1,010,593	-	-	434,545
STORENT Holding Finland Oy	2018	365	(31,437)	(35,607)	1,266
	2019	7,292	(3,513)	-	8,557
STORENT AB	2018	356,428	-	-	316,352
	2019	370,711	-	-	264,215
STORENT AS	2018	1,482	-	-	3,870
	2019	1,521	-	-	-
STORENT OOO	2018	70,007	-	-	12,253
	2019	67,722	-	-	7,100
STORENT Oy	2018	1,188,414	-	(1,116)	1,848,612
	2019	1,337,816	-	-	2,589,589
	TOTAL 2018:	**6,651,544**	**(126,224)**	**(36,723)**	**6,175,384**
	TOTAL 2019:	**7,236,258**	**(191,994)**	**-**	**8,735,387**

20.(b) Loans to related parties

	Maturity date	Loan amount	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
STORENT SIA	31.12.2022	6 000 000	6	6 000 000	8,400,000
STORENT SIA	31.12.2022	1 684 673	6	1 684 674	1 684 673
STORENT Holding Finland OY	31.12.2022	466 000	6	466 000	6 000
STORENT AB	31.12.2020	-	6	-	75 213
STORENT AS*	31.12.2022	25 000	6	-	25 000
STORENT OOO	31.12.2020	-	6	-	67 063
			Long-term liabilities:	**8 150 674**	**10 257 949**
			Short-term liabilities:	**-**	**-**

Loans to related parties are not secured.

*For IFRS 9 purposes Company has performed SSPI tests on its financial assets, which require that the contractual terms of the financial asset (as a whole) gives rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement. According to the assessment the Company's financial assets arising from related parties failed the SPPI test, as a result Company recognizes the mentioned financial assets at FVTPL. Fair value of the assets was determined as value in use based on a five year business plan, assessing the total amount of investment in each subsidiary together with the loan balance and related receivables, which should be recovered by value in use. Impairment charge was booked for Storent AS balances in full amount i.e. 30,373 EUR. Please refer also to Note 11 for details on impairment charge.

20. Transactions with related parties (cont.)

20.(c) Borrowings from related parties

	Maturity date	Loan amount	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Bomaria SIA	31.12.2021	6 680 872	6	308 325	291 117
Supremo SIA	31.12.2021	6 680 872	6	308 326	291 117
STORENT Holding Finland OY	31.12.2019	940 000	6	-	150 000
			Long-term liabilities:	**616 651**	**732 234**

Borrowings from related parties are not secured.

20.(d) Terms and conditions applicable to transactions with related parties

Unsettled liabilities have not been secured in any way at the end of the year, and settlements are made in cash. No guarantees have been provided or received for any receivables from related parties with the exception of those listed in note 27.

20.(e) Interest on loans to related parties and borrowings from related parties

	Loan interest income		Borrowing interest expenses	
	31.12.2019 EUR	31.12.2018 EUR	31.12.2019 EUR	31.12.2018 EUR
Shareholders of the Company	-	-	34 416	34 417
Subsidiaries of the Company	568 187	558 435	3 513	31 437
TOTAL:	**568 187**	**558 435**	**37 929**	**65 854**

21. Other borrowing

In 2015 - 2019 the Company received loans from Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Total loans amounted to EUR 16 254 002 with interest rate 2,49% - 4% per annum. Loans repayment date are showed in table below.

As collateral for contracts with Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S Group and SA Manitou BF has registered promissory notes for each payment.

	Maturity	Amount	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Haulotte Group AB	01.10.2020	5 500 000	2.49	1 006 667	2 004 450
Haulotte Group AB	01.12.2021	1 003 836	3.94	402 883	604 259
Haulotte Group AB	01.12.2021	1 994 007	3.94	850 219	1 275 191
Haulotte Group AB	01.12.2020	1 006 969	4	269 450	538 840
Haulotte Group AB	15.12.2021	1 004 278	4	537 460	806 100
Haulotte Group AB	01.11.2023	1 607 292	2.8	1 615 043	-
Yanmar construction equipment Europe SAS	01.12.2020	995 703	4	266 435	532 812
Yanmar construction equipment Europe SAS	15.12.2021	1 075 956	4	575 820	863 634
Yanmar construction equipment Europe SAS	06.11.2023	643 014	2.8	646 115	-
SA MANITOU BF	04.08.2023	1 192 550	2.8	1 198 208	-
Aston Baltic SIA	31.12.2020	109 575	-	20 017	51 511
Incremental cost allocation	N/a	(1 058 151)	-	(295 244)	(294 885)
			Total:	**7 093 073**	**6 381 913**
			Total Non-current	3 466 081	3 597 885
			Total Current liabilities:	3 626 992	2 784 028

Total loans origination fees and costs amounted to 1 058 151 EUR. The Company treated these fees and costs as incremental costs related to attracted finance. These fees and costs are on integral part of the effective interest rate of the loans and are treated as an adjustment to the effective interest rate.

22. Issued bonds

In 2017, Storent Investments issued bonds with maturity 30.06.2020 and annual interest rate 8%.

	Maturity	Amount	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Issued bonds	30.06.2020	8 245 000	8	10 000 000	8 245 000
Incremental cost allocation*				(67 087)	(153 611)
			TOTAL:	**9 932 913**	**8 091 389**
			Total Non-current liabilities:	-	8 091 389
			Total Current liabilities:	9 932 913	-

* Costs related to issuing of bonds will be written down over the borrowing period

According to Temrs and Conditions should be competed following financial covenants:

- Shareholders Equity to Assets Ratio may not be lower than 25 (twenty five) per cent at the end of each Quarter.
  “Shareholders Equity to Assets Ratio” means the Issuer’s total shareholders’ equity expressed as a per cent of the Issuer’s consolidated amount of assets as at the end of each Quarter determined on the basis of the Issuer’s consolidated quarterly financial statements.
- Net Debt/EBITDA Ratio for the for the previous 12 (twelve) months may not be higher than 4.5: (a) as at the end of each Quarter determined on the basis of the Issuer’s consolidated monthly financial statements for the previous 12 (twelve) months; and (b) as at 31 December each year, as determined on the consolidated basis on the basis of each of the Issuer’s annual financial reports.
  “Net Debt/EBITDA Ratio” means the ratio of interest bearing liabilities – (minus) cash to EBITDA of the respective measurement period.
  “EBITDA” means the net income of the measurement period before: (a) any provision on account of taxation; (b) any interest, commission, discounts or other fees incurred or payable, received or receivable in respect of financial indebtedness; (c) any items treated as exceptional or extraordinary; (d) any depreciation and amortisation of tangible and intangible assets; and (e) any re-valuation, disposal or writing off of assets.

Borrowings against bonds are not secured. Full amount of bonds is repayable upon maturity. The total cost of issuing bonds is 223,970 EUR. The Company recognized the expenses according to IFRS 9 as incremental borrowing costs. These costs are an integral part of effective interest rate.

23. Lease liabilities

Maturity analysis	31.12.2019 EUR	31.12.2018 EUR
2019	-	8 268
2020	34 446	9 766
2021	22 218	6 089
2022	8 876	6 413
2023	24 390	24 390
Total:	**89 930**	**54 925**
Long-term liabilities	55 484	46 657
Short-term liabilities	34 446	8 268

The Company does not face a significant liquidity risk with regard to its lease liabilities.

24. Financial instruments

The company's main financial instruments are short-term and long-term loans received, receivables from buyers and customers, money and financial leasing. The main purpose of these financial instruments is to ensure the financing of the Company's economic activities. The Company also faces a number of other financial instruments, such as trade and other receivables, trade payables and other creditors arising directly from its business.

Categories of financial assets and liabilities

Financial assets	**31.12.2019 EUR**	**31.12.2018 EUR**
Loans and receivables held at amortised cost		
- Trade receivables from related companies	8 735 387	6 175 384
- Trade receivables	21 844	5 183
- Other receivables	14 188	16 770
- Cash and cash equivalents	2 524 418	3 185 057
TOTAL financial assets:	**11 295 837**	**9 382 394**

Financial liabilities	**31.12.2019 EUR**	**31.12.2018 EUR**
Financial liabilities held at amortized cost		
- Loans from related companies	616 651	732 234
- Loans against bonds	9 932 913	8 091 389
- Lease liabilities	89 930	54 925
- Other borrowings	7 093 072	6 381 913
- Trade payables	583 312	206 153
- Payables to related companies	-	36 723
- Other payables	131 429	115 725
TOTAL financial liabilities:	**18 447 307**	**15 619 062**

25. Financial risk management

The Company's operations are subject to the following financial risks: currency risk, credit risk and liquidity risk.

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Company due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions for the Company. The Company does not have any material financial assets and liabilities denominated in currencies other than the Euro. Therefore, during the reporting year the Company's exposure to foreign currency risk was not significant.

Credit risk

Credit risk is the risk that the Company incurred a financial loss if counterparties fail to fulfil their obligations to the Company. The Company has credit risk exposure related to cash, trade receivables and issued loans.

Cash
Credit risk in relation to cash in bank is managed by evaluating the banks to cooperate with, this reducing the probability of losing financial resources.

Trade receivables
The Company monitors outstanding trade receivables on a regular basis.

Loans issued
The Company controls the credit risk by evaluating financial performance indicators of loan recipients.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to timely and in full to ensure fulfilling its own commitments. Liquidity risk arises when terms of payments of financial assets and liabilities are not correlating. The Company's liquidity risk management is to maintain adequate cash and cash equivalent amount and provide sufficient financing in order to be able to fulfil its obligations in time. The Company management considers that the Company will have sufficient cash resources and its liquidity will not be compromised, please refer further to Note 28. At 31 December 2019 and 2018 the maturity of the financial payables of the Company, based on undiscounted payments provided for in the agreements can be disclosed as follows:

31.12.2019.	**< 3 months**	**3 - 12 months**	**1 - 7 years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Issued bonds	200 000	10 200 000	-	**10 400 000**
Borrowings from related parties	-	-	694 204	**694 204**
Lease liabilities	13 210	36 903	51 542	**101 655**
Other borrowings	1 279 779	3 105 977	3 292 081	**7 677 837**
Trade payables	583 312	-	-	**583 312**
Other financial liabilities at amortized cost	131 429	-	-	**131 429**
TOTAL:	**2 207 730**	**13 342 880**	**4 037 827**	**19 588 437**

31.12.2018.	**< 3 months EUR**	**3 - 12 months EUR**	**1 - 7 years EUR**	**Total EUR**
Issued bonds	164 900	494 700	8 574 800	**9 234 400**
Borrowings from related parties	-	159 000	687 036	**846 036**
Finance lease liabilities	2 710	8 131	52 141	**62 982**
Other borrowings	991 570	1 941 938	4 045 170	**6 978 678**
Trade payables	242 876	-	-	**242 876**
Other financial liabilities at amortized cost	115 725	-	-	**115 725**
TOTAL:	**1 517 781**	**2 603 769**	**13 359 147**	**17 480 697**

26. Capital management

The purpose of the management of Group capital is to provide a high credit rating and balanced structure of capital to ensure successful activity of the Group and to maximize Group's share value. The Group is not subject to any externally imposed capital requirements. The Group is controlling structure of the capital and adjusts that structure according to economic conditions. For control and adjustment of structure of the capital, the Group can change conditions of payment of dividends to shareholders, to return them part of shares or to release new shares. In 2019 and 2018 there were no changes introduced to purposes, policy or processes related to management of the capital.

	31.12.2019.	**31.12.2018.**
	EUR	**EUR**
Interest bearing loans and borrowings	17 732 568	15 260 461
Trade and other payables	714 742	358 601
Less cash and cash equivalents	(2 524 418)	(3 185 057)
Net debt	**15 922 892**	**12 434 005**
Equity	36 183 118	34 882 403
Net debt to equity ratio:	**0.44**	**0.36**

26. Contingent liabilities

Issued guarantees

On 27 June 2017 Storent Investments issued guarantee to Luminor Liising AS due to factoring contract between Storent OU and Luminor Liising AS. The amount of the guarantee is 400 000 EUR and guarantee is valid till full liability repayment. At the preparation of the financial statements it is unlikely that an outflow of economic benefits from the Company will be required to settle the obligation.

During 2016-2019 Storent Investments AS issued a guarantee to Luminor Līzings SIA due to concluded financial lease contracts between Storent SIA and Luminor Līzings SIA. The amount of the guarantee is 11 569 075 EUR (31.12.2018. 10 794 073 EUR) and guarantee is valid till 31 December 2024. At the preparation of the financial statements it is unlikely that an outflow of economic benefits from the Company will be required to settle the obligation.

In 2014 Storent Investments AS issued a guarantee to Luminor Līzings SIA due to concluded factoring contracts between: Storent SIA and Luminor Līzings SIA, the guarantee is valid till full liability repayment. At the preparation of the financial statements it is unlikely that an outflow of economic benefits from the Company will be required to settle the obligation.

In 2016, 2017 and 2018 Storent Investments AS issued a guarantee to UniCredit Leasing SIA due to concluded financial lease contracts between Storent SIA and UniCredit Leasing SIA. The amount of the guarantee is 2 314 460 EUR and guarantee is valid till 30 September 2023. At the preparation of the financial statements it is unlikely that an outflow of economic benefits from the Company will be required to settle the obligation.

27. Going concern

As at 31 December 2019 Company has negative working capital in amount of 3.4 million Eur.

In March 2020 Storent Investments AS announced new bond issuance in total amount of 15 million euro. Storent Investments AS to date has managed to exchange 3.4 million EUR worth of its existing bonds with bonds that mature on 30 June 2023. The notes should be admitted to listing and trading on the official bond list (the Baltic Bond List) of AS "Nasdaq Riga" by 30 June 2020 and, depends on situation, Management plans to continue exchanging existing bonds and selling additional bonds.

On 1 April 2020 Storent Investments AS announced on instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposes to extend the maturity of the Notes by one year and to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 24 April 2020 voting has been closed and amendments have been approved.

Storent Investments As has received positive replies to postpone principal payment per one year from suppliers Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Amendments to agreements are in process to be signed.

The Company management has evaluated actual and potential impact of covid-19 pandemic. Management has prepared forecasted financial results and cash flows for 2020 and already started to take steps to ensure the Company's ability to continue as going concern.

Although measures applied by local government differ country by country, the constructions industry now is not restricted in any country where Storent group companies operate. Equipment rent is very closely related to constructions activities and at the moment of issuing annual report we don't have pervasive evidence that it will be significantly impacted. Storent group has experienced few economic crises and our strategy always was to be more active and use market potential. During last few months we developed new sales platform that allows to rent equipment without coming to rental depo. Right after covid-19 pandemic we concentrated all our resources to launch new online sale web page as soon as possible and starting 26 March 2020 it is already available for customers in Baltic countries and in few weeks will be launched also in Finland and Sweden. Simplified processes with powerful online platform are available for customers on PC but is primarily designed for mobile use. Removal of paper from day-to-day processes to be replaced with digital signatures, smart ID and other electronical signatures are more and more used in rental deals in the Group especially now when personal contact should be minimized. All our depos continue to serve customers in a safe way in our premises, all equipment that we deliver to customers are disinfected. At the moment it is very hard to do estimate how much construction industry will be affected by overall economic activity decrease. Even in the worst case scenario Storent Group will continue active sales strategy and offer customers to use online platform, which is simple to use, in such event we anticipate that Group's rental income could decrease by 13% compared to 2019. If the covid-19 pandemic will slow down by summer 2019, we estimate that construction could recover quickly and Group's turnover will be at the level of 2019. The actual future developments might significantly differ from current management estimates.

As such, these financial statements have been prepared on the basis that the Company will continue as a going concern, and do not include any adjustments that might be necessary if the going concern assumption would not be applicable.

28. Post balance sheet events

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus COVID-19 have entered into force in the Republic of Latvia and elsewhere in the world, which significantly reduces the economic development in the country and in the world. Currently it is not possible to estimate how the situation will develop in the future, and therefore there is uncertainty about economic development.

The company's management continuously analyses and evaluates the development situation with COVID-19.

Although the Group has approved investment plan budget, taking in account Covid-19 impact on construction industry Management has postponed investment realization and has asked grace period for the main principal repayments of loans and leasing's. The management estimates that construction industry will recover after covid-19 pandemic impact on business operation in autumn 2020 but since rental industry is seasonal, the construction volumes will return in level of 2019 and continue to growth starting spring 2021. The actual future developments might significantly differ from current management estimates.

On 1 April 2020 Storent Investments AS announced on instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposes to extend the maturity of the Notes by one year and to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 24 April 2020 voting has been closed and amendments have been approved.

In March 2020 Storent Investments AS announced new bond issuance in total amount of 15 million euro. Storent Investments AS to date has managed to exchange 3.4 million EUR worth of its existing bonds with bonds that mature on 30 June 2023. The notes should be admitted to listing and trading on the official bond list (the Baltic Bond List) of AS "Nasdaq Riga" by 30 June 2020.

At the end of April 2020 Storent SIA and Storent Oy received acceptance from several financing companies about grace period for principal payments. SIA Luminor Līzings, SIA Unicredit līzings, SIA OP lizings have granted to Storent SIA grace period for six month with approved intention also to consider prolongation of this period if necessary. Layher Baltic UAB has granted to Storent SIA grace period for one year. Storent Oy has been granted a grace period from several financing companies for 3-6 month. Amendments to all agreements are in process to be signed.

Storent Investments As have received positive replies to postpone principal payment per one year from suppliers Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Amendments to agreements are in process to be signed.

Storent Holding Oy has agreed to postpone repayment of loan to Levina Investments S.a.r.l. per one year. Amendments to agreement have been signed.

Storent SIA and Storent Oy performs optimization of the rental equipment fleet by selling equipment, which is no longer in demand in rental market. On the date of signing of these consolidated financial statements both companies have sold equipment with net book value 6 468 917 Eur for total amount of 5 932 917 Eur.

The rapid development of the Covid-19 virus and its social and economic impact in countries that the group operates in and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact, as events are unfolding day-by-day.

The longer term impact may also affect trading volumes, cash flows and profitability. Nevertheless, at the date of these financial statements the Company and the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

In 2020, in order to meet minimal capital requirements according to respective country laws, the Company will invest into share capital of respective subsidiaries in total amount of EUR 4 500 000.

During the period between the last day of the financial year and the date of signing of these financial statements there have been no other significant events that would have require adjustments or disclosure in the financial statements.

These financial statements were signed on 29 April 2020 on the Company's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Marina Grigore
Chief accountant

* * *

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Independent Auditor's Report

To the shareholders of "Storent Investments" AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of "Storent Investments" AS ("the Company") set out on pages 7 to 36 of the accompanying annual report, which comprise:

- the statement of financial position as at 31 December 2019,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of *"Storent Investments" AS* as at 31 December 2019, and of its financial performance and its cash flows for the year then ended with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

As stated in Note 29, potential impact of the effects of the COVID-19 coronavirus on the "Storent Investments" AS entity and the group, indicate that a material uncertainty exists that may cast significant doubt on the group's and, as a consequence, Company's ability to continue as a going concern.. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	**How the matter was addressed in the audit**
Judgments and estimates with respect to valuation of investments in subsidiaries and loans issued to and trade receivables from subsidiaries	
As disclosed in Note 11 and 20. (a) and (b) the Company has recorded a significant amount of investments in subsidiaries and loans issued to and trade receivables from subsidiaries that is subject to an annual impairment test. As at 31 December 2019, the investment and loan balance amounts to 50.4 m EUR that represents 92% of total assets and 141% of total equity. The Company performs an annual impairment test of investments in subsidiaries and loans issued to and trade receivables from subsidiaries value to identify impairment losses, arising when the recoverable amount of cash generating unit is lower than the carrying amount recorded. Based on the impairment test, an impairment loss of EUR 337 thousand has been identified and recorded as at 31 December 2019 relating to investments in two of subsidiaries and loan issued to one of subsidiaries. The cash flow projections and discount rates applied to the projected future cash flows involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, timing of this growth, profitability targets as well as the management's ability to realize those assumptions and overall development of the Baltics, Scandinavian and Russian construction market. Any adverse changes to these assumptions caused by volatility of the market the subsidiaries of the Company operate in may negatively influence the carrying value of investments in subsidiaries and loans issued to and trade receivables from subsidiaries presented in the Company's statements of financial position as of 31 December 2019. Accordingly, the impairment test of investments and loans issued to and receivables from subsidiaries in considered to be a key audit matter.	Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. We assessed assumptions used in cash flow projections which the outcome of impairment test is most sensitive to, and evaluated the reasonableness of assumptions made by management by comparing them to internal sources of information available within the Company and also to externally available industry, economic and financial data. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results. We assessed the completeness and accuracy of the disclosures relating to investments in subsidiaries and loans issued to and trade receivables from subsidiaries to assess compliance with disclosure requirements included in International Financial Reporting Standards as adopted by the European Union.

Reporting on Other Information

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

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

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- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Statement of Corporate Governance, which will be submitted to "Nasdaq Riga" AS together with the accompanying annual report.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.2 third paragraph, clause 1 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.2, third paragraph, clause 1 of the Financial Instruments Market Law.

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

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

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by those charged with governance on 4 April 2019 to audit the financial statements of Storent Investments AS for the year ended 31 December 2019. Our total uninterrupted period of engagement is six years, covering the periods ending 31 December 2014 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Jana Nikandrova.

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Jana Nikandrova
Member of the Board
Certified Auditor of Latvia
Certificate No.215

Riga, Latvia
April 29, 2020