**AS "Baltic RE Group"**
**(REGISTRATION NUMBER 40103716434)**

# ANNUAL REPORT

# FOR THE YEAR ENDED 31 DECEMBER 2020

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(TRANSLATION FROM THE ORIGINAL IN LATVIAN)

**Riga, 2021**

## Contents

**General Information** 3
**Management Report** 6
**Financial Statements** 9
**Statement of Financial Position** 9
**Statement of Comprehensive Income** 10
**Statement of Cash Flows** 11
**Statement of Changes in Equity** 12
**Notes to the Financial Statements** 13
1. General information 13
2. Basis of preparation and other significant accounting policies 13
   2.1. Basis of preparation 13
   2.2. Changes in accounting policy and disclosures 15
   2.3. Foreign currency translation 16
   2.4. Intangible assets 16
   2.5. Property, plant and equipment 17
   2.6. Investment property 17
   2.7. Leases 18
   2.8. Impairment of non-financial assets 18
   2.9. Investments in subsidiaries 19
   2.10. Financial instruments 19
   2.11. Cash and cash equivalents 21
   2.12. Reserves 21
   2.13. Provisions 22
   2.14. Accrued income 22
   2.15. Accrued liabilities 22
   2.16. Employee benefits 22
   2.17. Contingencies 22
   2.18. Revenue recognition 22
   2.19. Interest income and expense 23
   2.20. Related parties 23
   2.21. Taxes 24
   2.22. Subsequent events 24
3. Financial risk management 24
   3.1. Financial risk factors 24
   3.2. Capital management 26
   3.3. Fair value estimation 27
**Notes to the Statement of Financial Position** 29
4. Goodwill 29
5. Property, plant and equipment 30
6. Investment property 31
7. Investments in subsidiaries 32
8. Loans and receivables from related companies 33
9. Trade receivables 34
10. Other receivables 35
11. Accrued income 35
12. Cash and cash equivalents 35
13. Share capital 35
14. Other reserves 36
15. Retained earnings 36
16. Loans and payables to related companies 37
17. Trade payables 38
18. Taxes payable 38
19. Other payables 38
20. Deferred income 38
21. Accrued liabilities 39
**Notes to the Statement of Comprehensive Income** 39
22. Revenue 39
23. Cost of sales 39
24. Distribution costs 40
25. Administrative expenses 40
26. Other operating expense 40
27. Finance income 40
28. Finance costs 41
**Other Disclosures** 41
29. Staff costs and number of employees 41
30. Reorganisation 42
31. Related party transactions 43
32. Events after the reporting period 43

## General Information

| | |
|---|---|
| Name of the company | AS "Baltic RE Group" |
| Legal form of the company | Stock Company |
| Registration number, place and date of registration of the company | 40103716434<br>Riga, 2 October 2013 |
| Legal address of the company | 19 Skunu Street, Riga, LV-1050, Latvia |
| Corporate website | www.balticregroup.com |

Board

The Board is the executive body of AS "Baltic RE Group", which manages and represents the Company. It is responsible for the commercial activities of the Company, as well as for accounting and compliance with the laws and regulations. The Board administers the property of AS "Baltic RE Group" and acts with its means according to the requirements of law, the Statutes and decisions of Meetings of shareholders and Council.

The Statutes of AS "Baltic RE Group" regulate the composition and election of the Board, its functions, representation and decision making. The Board Regulations determine rights, duties, responsibilities and operating procedures of the Board.

**Giovanni Dalla Zonca** (Chairman of the Board - right of sole representation)

Giovanni Dalla Zonca is CEO and co-founder of AS "Baltic RE Group".

Giovanni Dalla Zonca worked for many years as a financial consultant for the real estate industry, and was founder and CEO of Renta, a primary Italian network of placement of real estate finance issued by Barclays Bank.

As a strategic consultant he has worked for over 10 years with leading Italian real estate funds and private investors in the retail real estate sector, assisting customers in the selection of investments, in the construction of the financing and in preparation of draft turnaround. Thanks to the experience as a direct investor in several European countries, in 2008 Giovanni Dalla Zonca was co-founder of Baltic RE Group, where he is currently a partner and CEO.

Giovanni Dalla Zonca regularly participates as an expert speaker and entrepreneur at important international conferences in the sector and is a columnist for articles and studies on the real estate industry for leading international publications.

Giovanni has graduated with honours in Economics from the University of Trieste.

**Marco Chioatto** (Member of the Board - together with all the rest of)

Marco Chioatto has Degree in Economics at Università di Venezia, he is Chartered Accountant in Padua, Italy.

He has been a Senior Partner in the Studio Associato Cantoni Chioatto - a well reputed professional firm, where he works as an auditor for companies in North-East of Italy.

From 1996 to 1998 he held the position of President of the Association of Young Chartered Accountants Padua. From 1998 to 2004 he held the position of Director and Vice President of the Association of Chartered Accountants of Padua. Marco Chioatto served until 2007 as Vice President of the Association of Chartered Accountants of north East of Italy. The Association currently has about 2 300 members.

Marco Chioatto has carried out on behalf of the Association of Chartered Accountants of Padua, to lecture at conferences in the Association itself and within the School for Practitioners Chartered Accountants of Padua.

Marco Chioatto has deepen experience as consultant in Real Estate field in Italy and abroad, participating in many deals for acquisition of real estate Fund, and buildings, and participating in managing Real Estate Fund.

Thanks to his experience as professional in real estate sector, in 2008 Marco Chioatto was co-founder of Baltic RE Group, where he is currently a partner and CFO.

**Dina Abaja** (Member of the Board - together with all the rest of)

Dina Abaja has many years of experience in real estate management and retail. Since 2004 Dina Abaja has been Member of the Board and Member of the Council in several companies.

Dina Abaja is engaged with commercial property management, administration of lease agreement changes and extensions, negotiations with tenants, technical maintenance supervision together with technical team, financial supervision together with the financial team and property marketing and advertising, consulting in regard to other property.

Since 2013 Dina Abaja is a Member of the Board of AS "Baltic RE Group". Her extensive experience has allowed her to provide quality real estate market review, success in search of new tenants and development of the content of the buildings.

Dina Abaja has Bachelor degree in Economics and International business affairs from the International Commercial University of Latvia.

Dina Abaja has participated in numerous professional trainings, exhibitions, and real estate conferences (including the Annual Baltic States Real Estate Conferences), seminars and she obtained significant specific professional experience and education in this field.

Council

The Council is the supervisory institution of AS "Baltic RE Group", which represents the interests of the shareholders during the time periods between the Meetings of shareholders and supervises the activities of the Board within the scope specified in the Commercial Law and the Statutes.

The Statutes of AS "Baltic RE Group" regulate the composition and election of the Council, its functions and decision making. Council Regulations are adopted according to provisions of Commercial Law and Statutes and regulate Councils decision-making authority and procedures, as well execution of Council decisions.

**Cesare Pizzul** (Chairperson of the Council)

Cesare Pizzul graduated with honours in Mining Engineering from the University of Trieste (Italy), he received a postgraduate specialization in Mining Geostatistic at the Ecole Nationale des Mines de Paris, and attended a master course in General Management at the ISTUD of Stresa (Italy).

In 1994 he became the founder and CEO of Sunshine Investments, a private equity and financial holding destined to invest in industrial companies in the North East of Italy.

Since 2001 he is a corporate advisor for primary companies following the international expansion of several important clients.

In 2006 Cesare Pizzul founded Wulfenia Business Consulting, an international corporate advisors company involved in financial, administrative, fiscal and corporate consulting in Central Eastern Europe, the Balkans and in South America, specifically focusing on outsourcing of the administration and other services for retail shops chains all over Europe.

In 2008–2014 Cesare Pizzul held the positions of Independent Director, President of the Remuneration Committee, President of the Related Parties Committee, Member of the Internal Control Committee at Eurotech Group SpA, a nano high performing computers company listed in Milan Stock Exchange.

Cesare Pizzul has extensive experience in advisory and independent control in major (even listed) companies all over Europe.

**Aleksandrs Mahajevs** (Deputy chairperson of the Council)

**Edgars Murāns** (Member of the Council)

Principal Subsidiaries

**SIA "Key 2"**
19 Skunu Street, Riga, LV-1050, Latvia
(100%)

**SIA "KEY 6"**
19 Skunu Street, Riga, LV-1050, Latvia
(100%)

**SIA "Skunu 19"**
19 Skunu Street, Riga, LV-1050, Latvia
(100%)

| | |
|---|---|
| | **SIA "RB 25"**<br>19 Skunu Street, Riga, LV-1050, Latvia<br>(100%)<br>**SIA "Baltic Re Properties"**<br>19 Skunu Street, Riga, LV-1050, Latvia<br>(100%) |
| Activity code<br>(NACE 2.0 red) | Renting and operating of own or leased real estate (68.20)<br>Buying and selling of own real estate (68.10)<br>Real estate agencies (68.31)<br>Management of real estate on a fee or contract basis (68.32) |
| Previous financial year | 1 January 2019 - 31 December 2019 |
| Financial year | 1 January 2020 - 31 December 2020 |
| Auditors | Svetlana Šemele-Baikova<br>Certified Auditor of the<br>Republic of Latvia<br>Certificate No. 212<br><br>SIA "Nexia Audit Advice"<br>Reg.No. 40003858822<br>31-14 Baznicas Street, Riga, LV-1010, Latvia<br>Licence No. 134 |

Nexia Audit Advice

# Management Report

## General information

AS "Baltic RE Group" (hereinafter - the Company) is a stock corporation, which was registered in the Register of Enterprises of the Republic of Latvia on 2 October 2013. The legal address of AS "Baltic RE Group" is 19 Skunu Street, Riga, LV-1050, Latvia.

## Core business activity of the Company

Core business activity of the AS "Baltic RE Group" is investing in and managing - directly or through subsidiaries - core plus real estate properties in prime locations in the city of Riga.

Within the management activity of the Group "Baltic RE Group", which includes AS "Baltic RE Group" and its subsidiaries (hereinafter – the Group), the Company provides to its subsidiaries services of strategic development, real estate management (including current repairs, maintenance services etc.) and lease of premises, as well as coordinated services on economics, tax, finance, marketing, legal and technical issues.

## Company's operations during reporting period

Company's operations during the reporting period were focused on the expansion of courses of action, improvement of work organization, which provides stable and consistent operations across all the Group's business units and the necessary financial support to them. During the reporting period active work with the Company's clients was carried out, as well as successful actions were taken in the research, development and implementation of new activities and investments.

In 2020, the Company improved the structure of the Group "Baltic RE Group" - two reorganisations were initiated by merging of the acquiring company AS "Baltic RE Group" with the following merging companies:

1. 100% owned subsidiaries - SIA "Key 15", SIA "TER Properties" and SIA "BB 21" (SIA "TER Properties" 100% owned subsidiary). As a result of the reorganisation, the assets, rights and liabilities of the merging companies were transferred to the acquiring company AS "Baltic RE Group" as at 31 December 2020;
2. 100% owned subsidiary SIA "KEY 1". As a result of the reorganisation, the assets, rights and liabilities of the merging company were transferred to the acquiring company AS "Baltic RE Group" as at 31 March 2020.

The reorganisations were completed in May 2021. The reorganisation process was the next step in the announced process of simplifying the structure of the Group "Baltic RE Group", in the light of improving the operational and financial efficiency.

The Company's revenue for the year ended 31 December 2020 is EUR 779 432. The Company ended the reporting period with a loss of EUR 278 296. The Company's equity as at 31 December 2020 is positive and amounts to EUR 46 124 645.

## Financial results of the Company's commercial activity and financial standing of the Company

The analysis of the Company's financial statements shows, that statement of financial position total is EUR 59 437 394. Non-current assets comprise 72% of the statement of financial position total, of which 66% (EUR 28 351 436) comprise of investments in subsidiaries. Equity comprises 78% (EUR 46 124 645) of the statement of financial position total. Non-current liabilities comprise 9% (EUR 5 622 901) of the statement of financial position total, while current liabilities comprise 13% (EUR 7 689 848).

The analysis of the Company's statement of comprehensive income shows, that the revenue of the Company for the year ended 31 December 2020 is EUR 779 432, the cost of sales is EUR 373 747, so that the gross profit amounts to EUR 405 685 and net loss amounts to EUR 278 296. The loss for the reporting year is mainly related to the decrease in revenue due to the fact that the Company sold its investment property in 2019, but the investment property (at 9A Citadeles Street, Riga) acquired in 2020 is in the development stage and does not yet generate revenue.

The Company's results should also be considered in a broader perspective, as they are also the effect of accounting effects deriving from the performed mergers. In this sense, it is perhaps worth mentioning that the economic result of the Consolidated Annual Report of AS "Baltic RE Group" for the year ended 31 December 2020 reports a profit in the amount of EUR 1 845 125 for the year 2020.

The Company's management monitors the external factors affecting the Company's activities and takes the necessary measures to optimize the Company's operations and development.

*Calculation of financial results*

**Liquidity** (Company's paying capacity – Company's ability to cover its current liabilities):
Total liquidity ratio = 2.16 - the ratio has increased, comparing with 2019 (0.48).

**Solvency** (Company's ability to cover non-current and current liabilities):
Debt to assets ratio = 0.22 - the ratio has decreased, comparing with 2019 (0.63).

Financial performance indicators show that the Company is able to settle its obligations, as well as the fact that the Company has sufficient material provision for the further development of business.

**Use of the financial instruments and financial risk factors**

The Company's principal financial liabilities comprise loans, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables and cash that arrive directly from its operations.

*Financial risk management*

The risk management function within the Company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. The main financial risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's top management oversees the management of these risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

**Development of the Company and future prospects**

For the year 2021 the Board of AS "Baltic RE Group" is planning the further activities of development of new real estate research and optimization and development of current business activities, including the activity of real estate management for the companies of the Group "Baltic RE Group" and for third parties. In 2021 the Company does not intend to change its core business activity. It is planned to strengthen the activity with loyal customers and reliable partners; continuously improving the quality management system, as well as to optimize costs.

The Covid 19 crisis, the persistent turbulence of which continues to pose significant challenges to the Company, also offered important investment opportunities in 2020. The positioning of the Company, its reputation and its financial solidity have made it possible to seize very favorable opportunities, and others of great interest are emerging. While wishing to take advantage of opportunistic chances, the Company will continue to operate with the usual discipline in the selection of investments, privileging as always the quality and the uniqueness of the selected assets. Some structural changes in the market suggest positioning even on real estate properties to be used mostly for offices, taking into account some fundamental characteristics of the Company's investment philosophy (primary location and landmark characteristics) integrating them with a clear focus on sustainability.

AS "Baltic RE Group" intends to position itself – either for market reputation and for profound content of its assets - as a market leader in sustainable real estate investments, always aiming to implement the best environmental standard available on the market and higher well-being of the users of its buildings.

As regards the recent investments, in April 2020 the Company acquired a building at 9A Citadeles Street, Riga, uniquely positioned within a large garden and on the canal bank, in the historic center, where an innovative concept can be created: design and concept studies are in process with the aim of realizing a new idea of landmark sustainable office building.

The above is part of a fundamental (supplementary) update of the business model that the Company is carrying out and which we believe can give important satisfactions.

**Subsequent events**

*Reorganisation of AS "Baltic Re Group"*

On 21 May 2021, the reorganisation was completed - the merger, which was started in 2020 - the acquiring company AS "Baltic RE Group" merged with the merging companies - 100% owned subsidiaries - SIA "Key 15", SIA "TER Properties" and SIA "BB 21" (a 100% owned subsidiary of SIA "TER Properties"). As a result of the reorganisation, the assets, rights and liabilities of the merging companies were transferred to the acquiring company AS "Baltic RE Group" as at 31 December 2020. During the reorganisation, the share capital of AS "Baltic RE Group" was not increased, as a result no new shares of the acquiring company were issued, moreover, before the reorganisation all shares of the merging companies were directly or indirectly owned by AS "Baltic RE Group".

On 21 May 2021, the second reorganisation was also completed - the merger, which was started in 2020 - the acquiring company AS "Baltic RE Group" merged with the merging company - 100% owned subsidiary SIA "KEY 1". As a result of the reorganisation, the assets, rights and liabilities of the merging company were transferred to the acquiring company AS "Baltic RE Group" as at 31 March 2021. During the reorganisation, the share capital of AS "Baltic RE Group" was not increased, as a result no new shares of the acquiring company were issued, moreover, before the reorganisation all shares of the merging company were owned by AS "Baltic RE Group".

Other than the above, as of the last day of the reporting period until the date of signing this report there were no material events requiring adjustment of or disclosure in these financial statements or notes there to.

**Management's proposals on profit sharing or loss cover**

The Company's management proposes to cover the losses of the reporting year from the retained earnings of previous years.

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

Riga, 30 June 2021

## Financial Statements

## Statement of Financial Position

| | Note | 31.12.2020 EUR | 31.12.2019 EUR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 4 | 5 986 564 | 1 440 667 |
| Intangible assets | | 157 | - |
| Property, plant and equipment | 5 | 13 779 | 11 487 |
| Investment property | 6 | 1 235 182 | - |
| Investments in subsidiaries | 7 | 28 351 436 | 44 511 372 |
| Loans to related companies | 8 | 7 251 215 | 20 636 440 |
| | | **42 838 333** | **66 599 966** |
| **Current assets** | | | |
| Unfinished orders | | 47 866 | 3 301 |
| Trade receivables | 9 | 3 001 824 | 1 162 154 |
| Receivables from related companies | 8 | 5 135 220 | 12 997 075 |
| Other receivables | 10 | 1 151 246 | 213 289 |
| Accrued income | 11 | 114 076 | 26 703 |
| Cash and cash equivalents | 12 | 7 148 829 | 120 655 |
| | | **16 599 061** | **14 523 177** |
| **TOTAL ASSETS** | | **59 437 394** | **81 123 143** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | 29 000 000 | 29 000 000 |
| Share premium | 13 | 400 000 | 400 000 |
| Other reserves | 14 | (2 995 138) | 16 101 |
| Retained earnings | 15 | 19 719 783 | 958 419 |
| **Total equity** | | **46 124 645** | **30 374 520** |
| **Non-current liabilities** | | | |
| Loans from credit institutions | 16 | 3 372 901 | 7 014 867 |
| Payables to related companies | 16 | - | 12 529 669 |
| Deferred income | 20 | 2 250 000 | 750 000 |
| | | **5 622 901** | **20 294 536** |
| **Current liabilities** | | | |
| Loans from credit institutions | 16 | 217 948 | 389 715 |
| Borrowings | 16 | - | 603 880 |
| Trade payables | 17 | 204 685 | 478 407 |
| Payables to related companies | 16 | 6 191 425 | 16 234 968 |
| Taxes payable | 18 | 11 456 | 247 942 |
| Other payables | 19 | 219 279 | 318 998 |
| Deferred income | 20 | 750 000 | 375 000 |
| Unpaid dividends | | - | 10 955 657 |
| Accrued liabilities | 21 | 95 055 | 849 520 |
| | | **7 689 848** | **30 454 087** |
| **Total liabilities** | | **13 312 749** | **50 748 623** |
| **TOTAL EQUITY AND LIABILITIES** | | **59 437 394** | **81 123 143** |

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

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

**Liga Ostele**
Accountant

Riga, 30 June 2021

## Statement of Comprehensive Income

| | Note | 2020 EUR | 2019 EUR |
|---|---|---|---|
| Revenue | 22 | 779 432 | 1 816 531 |
| Cost of sales | 23 | (373 747) | (507 275) |
| Depreciation of investment property | 6 | - | (510 212) |
| **Gross profit** | | **405 685** | **799 044** |
| Distribution costs | 24 | (12 240) | (10 790) |
| Administrative expenses | 25 | (259 406) | (754 867) |
| Other operating income | | - | 1 443 907 |
| Other operating expense | 26 | (29 231) | (536 149) |
| Dividends from subsidiaries | 7 | - | 485 439 |
| **Operating profit or loss** | | **104 808** | **1 426 584** |
| Finance income | 27 | 416 005 | 687 833 |
| Finance costs | 28 | (797 346) | (1 169 228) |
| **Profit or loss before tax** | | **(276 533)** | **945 189** |
| Corporate income tax | | (1 763) | (4 532) |
| **PROFIT OR LOSS FOR THE YEAR** | | **(278 296)** | **940 657** |
| | | | |
| **Other comprehensive income or loss** | | - | - |
| **TOTAL COMPREHENSIVE INCOME OR LOSS** | | **(278 296)** | **940 657** |

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

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

**Līga Ostele**
Accountant

Riga, 30 June 2021

## Statement of Cash Flows

| | Note | 2020 EUR | 2019 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | **(276 533)** | **945 189** |
| **Adjustments for:** | | | |
| Amortisation and depreciation | 5, 6 | 26 498 | 549 816 |
| Gain on disposal of investment property | | - | (1 443 409) |
| Income from participating interests in subsidiaries | 7 | - | (485 439) |
| Finance income | 27 | (416 005) | (687 833) |
| Finance costs | 28 | 797 346 | 1 169 228 |
| **Operating cash flows before working capital changes** | | **131 306** | **47 552** |
| (Increase) / decrease in inventories | | (44 565) | (3 301) |
| (Increase) / decrease in trade and other receivables | | 34 542 748 | 292 682 |
| Increase / (decrease) in trade and other payables | | (28 307 594) | 1 424 522 |
| **Cash generated from operations** | | **6 321 895** | **1 761 455** |
| Interest paid | 28 | (797 346) | (1 169 228) |
| Corporate income tax paid | | (1 763) | (4 532) |
| **Net cash generated from operating activities** | | **5 522 786** | **587 695** |
| **Cash flows from investing activities** | | | |
| Acquisition of shares in subsidiaries | 7 | - | (7 800) |
| Purchases of property, plant and equipment and investment property | 5, 6 | (1 107 895) | (667 211) |
| Transfer of cash as a result of reorganisation | 30 | 7 031 668 | - |
| Proceeds from disposal of investment property | 6 | - | 12 975 000 |
| Proceeds from loan repayment | | - | 913 576 |
| Interest received | 27 | 416 005 | 687 833 |
| Dividends received | | - | 79 514 |
| **Net cash used in investing activities** | | **6 339 778** | **13 980 912** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 16 | 9 935 000 | 12 490 651 |
| Repayments of borrowings | | (3 813 733) | (26 956 018) |
| Dividends paid | | (10 955 657) | - |
| **Net cash used in financing activities** | | **(4 834 390)** | **(14 465 367)** |
| Net increase in cash and cash equivalents | | 7 028 174 | 103 240 |
| Cash and cash equivalents at the beginning of the year | | 120 655 | 17 415 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING YEAR** | | **7 148 829** | **120 655** |

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

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

**Liga Ostele**
Accountant

Riga, 30 June 2021

## Statement of Changes in Equity

| | Note | Share capital EUR | Share premium EUR | Other reserves EUR | Retained earnings EUR | TOTAL EUR |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2018** | | **29 000 000** | **400 000** | **16 101** | **11 182 762** | **40 598 863** |
| Dividends calculated | 15 | - | - | - | (11 165 000) | **(11 165 000)** |
| **Comprehensive income** | | | | | | |
| Profit for the period | 15 | - | - | - | 940 657 | **940 657** |
| Other comprehensive income | | - | - | - | - | - |
| **Total comprehensive income** | | - | - | - | **940 657** | **940 657** |
| **Balance as at 31 December 2019** | | **29 000 000** | **400 000** | **16 101** | **958 419** | **30 374 520** |
| Reorganisation result | 30 | - | - | (3 011 239) | 19 039 660 | **16 028 421** |
| **Comprehensive income** | | | | | | |
| Loss for the period | 15 | - | - | - | (278 296) | **(278 296)** |
| Other comprehensive income | | - | - | - | - | - |
| **Total comprehensive income** | | - | - | - | **(278 296)** | **(278 296)** |
| **Balance as at 31 December 2020** | | **29 000 000** | **400 000** | **(2 995 138)** | **19 719 783** | **46 124 645** |

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

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

**Līga Ostele**
Accountant

Riga, 30 June 2021

# Notes to the Financial Statements

## 1. General information

AS "Baltic RE Group" (hereinafter - the Company) is a stock corporation, which was registered in the Register of Enterprises of the Republic of Latvia on 2 October 2013. The legal address of AS "Baltic RE Group" is 19 Skunu Street, Riga, LV-1050, Latvia.

Core business activity of the AS "Baltic RE Group" is investing in and managing - directly or through subsidiaries - core plus real estate properties in prime locations in the city of Riga.

Within the management activity of the Group "Baltic RE Group", which includes AS "Baltic RE Group" and its subsidiaries (hereinafter – the Group), and strategic development of subsidiaries, the Company provides to its subsidiaries services of real estate management (including current repairs, maintenance services etc.) and lease of premises, as well as coordinated services on economics, tax, finance, marketing, legal and technical issues.

These financial statements for the year ended 31 December 2020 were authorised for issue by a resolution of the AS "Baltic RE Group" Board on 30 June 2021.

## 2. Basis of preparation and other significant accounting policies

### 2.1. Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

***Statement of compliance***

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

***Preparation of the financial statements***

The financial statements of the Company represent the separate financial position, results and cash flows of AS "Baltic RE Group" as holding company standing alone. The financial position, results and cash flows of the Group "Baltic RE Group" are presented in the consolidated financial statements of the Group.

The financial statements have been prepared on a going concern basis, applying a historical cost convention unless otherwise stated.

The financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia.

The financial statements cover the period from 1 January 2020 to 31 December 2020.

***Income and cash flow statement***

The Company has elected to present a single statement of comprehensive income and presents its expenses by function.

The Company reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Company's business activities.

***Current versus non-current classification***

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

***Significant accounting judgments, estimates and assumptions***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

*Significant accounting judgments and uncertainties*

The following are the significant judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Company reviews the amortisation period, as well as the amortisation method for finite intangible assets;
- the Company reviews the residual value, estimated useful lives and depreciation method of property, plant and equipment;
- the Company estimates fair value of investment property;
- the Company reviews non-current assets and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;
- the Company considers judgments in connection with classifying non-current assets to tangible assets or investment properties;
- the Company considers recoverability of receivables on each statement of financial position date;
- The Company makes provision for expected credit losses of trade receivables and contract assets - the Company uses a provision matrix to calculate expected credit losses for trade receivables and contract assets, which is based on the Company's historical observed default rates and calibrated to adjust the historical credit loss experience with forward-looking information; the assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate;
- the Company determines whether an arrangement contains a lease;
- the Company determines the lease term - the Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. As a lessor, the Company enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Company determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Company takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations;
- the Company determines performance obligations in relation to the services provided to tenants of investment property - the promise is the overall property management service and the service performed each day is distinct and substantially the same, therefore, the Company has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Company;

- the Company considers principal versus agent functions - the Company arranges for certain services provided to tenants of investment property included in the contract the Company enters into as a lessor, to be provided by third parties. The Company considers principal versus agent functions - the Company has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Company has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Company has discretion in establishing the price that it charges to the tenants for the specified services, therefore, the Company has concluded that it is the principal in these contracts.

## 2.2. Changes in accounting policy and disclosures

***New and revised IFRSs and interpretations adopted by the Company***

The following new and amended IFRSs as adopted by the EU became effective in 2020, but did not have significant impact on these financial statements:

1) *Amendments:*

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020) (effective for annual periods beginning on or after 1 June 2020).

  The amendments provide lessees with practical relief for accounting for changes in lease payments when such changes relate to Covid-19. Lessees are given the opportunity to account for such changes as variable lease payments and not to account for a modification of the lease. The exemption can only be applied if all three specific conditions are met.

***New and revised IFRSs and interpretations issued and adopted by the EU, but not yet effective***

The standards that are issued, but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

1) *Amendments:*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2021).

None of these amendments is expected to have a material impact on the Company's financial statements.

***New and revised IFRSs and interpretations issued, but not yet adopted by the EU***

1) *New standards:*

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023).

2) *Amendments:*

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (issued on 14 May 2020) (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) (effective for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- Proposed amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective for annual periods beginning on or after 1 April 2021).

## 2.3. Foreign currency translation

***Functional and presentation currency***

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in euros, the monetary unit of the Republic of Latvia, which is the Company's functional and presentation currency.

***Transactions and balances***

All transactions denominated in foreign currencies are translated into euro at the foreign exchange reference rates set by the European Central Bank against the euro, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last date of the reporting year.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the statement of comprehensive income in net value.

## 2.4. Intangible assets

***Goodwill***

Goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating unit. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Company's level.

The Company at the end of each financial year for the purposes of the financial reporting performs an impairment testing of goodwill. Goodwill impairment reviews are undertaken annually. Any impairment is recognised immediately as an expense and is not subsequently reversed.

If the composition of one or more cash-generating units to which goodwill has been allocated changed due to reorganisation, the goodwill is reallocated to the units affected.

***Intangible assets***

Intangible assets acquired separately are initially measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The Company has no internally generated intangible assets.

*Intangible assets with finite useful lives*

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Amortisation of intangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | Method | % p.a. |
|---|---|---|
| Licences | Straight-line | 33.33% |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

## 2.5. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Company evaluates all property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it, including professional fees.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | Method | % p.a. |
|---|---|---|
| Other fixed assets and equipment | Straight-line | 17-33% |

Depreciation is calculated starting with the following month after the property, plant and equipment is put into operation or engaged in commercial activity. Depreciation is not calculated for those items of property, plant and equipment, which have an unlimited useful life. Such assets include paintings and other antiques, jewellery.

The residual value, the useful life of an asset and the depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

## 2.6. Investment property

Property (land or building, or part of building, or both) that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company for administrative purposes, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at cost less accumulated depreciation and any impairment in value. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on investment property is calculated using the straight-line method to allocate its cost or revalued amounts to its residual values over their estimated useful lives, as follows:

| | Method | % p.a. |
|---|---|---|
| Buildings and constructions | Straight-line | 3.33% |
| Separate parts of buildings and constructions | Straight-line | 20% |

Land is not depreciated. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of investment property, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

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

Investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss in the period of the disposal.

Transfers to, or from, investment property are made when, and only when, there is a change in use. For a transfer from investment property to owner-occupied property, cost value is used, net of accumulated depreciation and accumulated impairment losses, if any. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

If an investment property or its part becomes owner-occupied and used for administrative purposes, it is reclassified as property, plant and equipment. Such reclassification was not made in these financial statements.

## 2.7. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

*The Company is a lessor*

Properties leased out under operating leases are included in investment property in the statement of financial position.

## 2.8. Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing 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 and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the statement of comprehensive income as impairment of non-financial assets. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses relating to goodwill cannot be reversed in future periods.

## 2.9. Investments in subsidiaries

Investments in subsidiaries (i.e. such entities that are controlled by the Company) are measured using cost method in accordance with IAS 27 "Separate Financial Statements". After initial recognition investments in subsidiaries are carried at cost less any impairment losses. The carrying values of investments are reviewed for impairment at each statement of financial position date. The amount of impairment is calculated as the difference between the recoverable amount of the subsidiary and its carrying value. The loss is recognised in the statement of comprehensive income. Dividends received from subsidiaries are recognised in the statement of comprehensive income when the right to receive the dividend is established.

## 2.10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***

*Initial recognition and measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 (see Note 2.18 "Revenue recognition").

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

*Subsequent measurement*

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

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

***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables.

*Derecognition*

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

***Impairment of financial assets***

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Provision for expected credit losses of trade receivables and contract assets*

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

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 3.1.

***Financial liabilities***

*Initial recognition and measurement*

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

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

The Company's financial liabilities include trade and other payables.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

***Loans and borrowings***

This is the category most relevant to the Company. Loans and borrowings are recognised initially at fair value less any associated discounts or premiums and directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in other comprehensive income during the period of the loan or borrowing using the effective interest rate method. Gains / losses are recognized in the statement of comprehensive income as interest income / expenses.

This category refers mainly to interest-bearing loans.

***Trade and other payables***

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

*Derecognition*

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

***Offsetting of financial instruments***

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

## 2.11. Cash and cash equivalents

Cash and cash equivalents in the Company's statement of financial position include cash in bank.

## 2.12. Reserves

***Reorganisation reserve***

This reserve is used to reflect the result of reorganisation with merging companies.

## 2.13. Provisions

***General***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

## 2.14. Accrued income

Accrued income is recognized when the Company has legal or other income from past events, it is probable that the revenue will flow to the Company, and the amount may be credibly estimated and evaluated.

## 2.15. Accrued liabilities

Accrued liabilities are recognized when the Company has present legal or other obligation that was a result of past events, there is a high probability that for the completion of the obligation, economic benefits outflow will be necessary and the amount may be credibly estimated and evaluated.

## 2.16. Employee benefits

***Short-term obligations***

Liabilities for wages and salaries, including holiday entitlement, accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

## 2.17. Contingencies

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

## 2.18. Revenue recognition

Revenue includes revenue from real estate rental and management services, as well as revenue from other services.

*Rental income from operating leases*

For investment property held primarily to earn rental income, the Company enters as a lessor into lease agreements that fall within the scope of IFRS 16 Leases. The Company earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

*Rendering of services*

Lease agreements that fall within the scope of IFRS 16 include certain services offered to tenants (e.g., maintenance and management services). These services are specified in the lease agreements and separately invoiced.

The Company has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Company allocates the consideration in the agreement to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

*Deferred revenue*

Revenue receivable before the statement of financial position date, but relating to a future year or years, is accounted as deferred revenue.

*Dividends*

Revenue is recognised, when the shareholder's right to receive payment is established.

*Other income*

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the profit or loss as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the profit or loss as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- other income – as incurred.

## 2.19. Interest income and expense

Interest income and expense are recognised within "Finance income" and "Finance costs" in the statement of comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

## 2.20. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (IAS 24 Related Party Disclosures – "reporting entity"):

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - has control or joint control over the reporting entity;
   - has significant influence over the reporting entity; or
   - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
2. An entity is related to a reporting entity if any of the following conditions applies:
   - the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   - both entities are joint ventures of the same third party;
   - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   - the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   - the entity is controlled or jointly controlled by a person identified in point 1);
   - a person identified in the first sub point of point 1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
   - the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties are the shareholders of the Company that can control the Company or have a significant influence over the activities of the Company, key management personnel of the Company and close member of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

### 2.21. Taxes

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

In accordance with applicable laws and regulations of the Republic of Latvia that are in force as of 1 January 2018, 0% corporate income tax is applied to reinvested profit (current income tax is paid only when a company pays dividends or other payments with the aim of actual profit distribution (conditionally distributed profit)). Instead of the corporate income tax payable on profits, the Latvian companies pay corporate income tax on dividends (also deemed dividends and expenses comparable to dividends), costs not directly related to economic activities, interest payments to non-financial companies and individuals exceeding certain limits, bad debts that are written off, transfer pricing adjustments, liquidation quota.

As of 1 January 2018 the current income tax rate is 20/80 on the amount paid out as net dividends. As income tax is paid on dividends and not on profit, no temporary differences arise between the tax bases of assets and liabilities and the carrying amounts of assets and liabilities which may give rise to deferred income tax assets and liabilities.

***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

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

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

### 2.22. Subsequent events

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

## 3. Financial risk management

### 3.1. Financial risk factors

The risk management function within the Company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period.

The Company's principal financial liabilities comprise loan from credit institution, bonds issued, payables to related companies, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations.

The Company's principal financial assets include loans to related companies and other loans, trade and other receivables and cash that arrive directly from its operations.

***Financial risks***

The main financial risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's top management oversees the management of these risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) as they provide services on credit, and investing activities, but there are no significant concentrations of credit risk. Credit risk arises from trade and other receivables, loans issued, as well as cash and cash equivalents.

*Trade receivables*

Customer credit risk is managed in accordance with Company's established policy, procedures and control relating to customer credit risk management.

The Company manages its credit risk by careful evaluation and regular monitoring of its business partners, by continuously assessing the credit history of customers and assigning credit terms on an individual basis, as well as by applying prepayment conditions for the real estate rental services. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised. In determining the recoverability of a trade receivable, the management considers all available information of the trade receivable from the date credit was initially granted up to the reporting date.

The Company evaluates the concentration of risk with respect to trade receivables as low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

| | | | Thereof past due | | | |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | **TOTAL** | Thereof not past due | 1-30 days past due | 31-60 days past due | 61-90 days past due | 90 days past due or more |
| Expected credit loss rate | | 0.012% | 2% | 4% | 0% | 8% |
| Gross carrying amount | **3 002 211** | 3 001 879 | - | - | - | 332 |
| Expected credit loss | **387** | 360 | - | - | - | 27 |
| **At 31 December 2019** | | | | | | |
| Expected credit loss rate | | 0.012% | 2% | 4% | 0% | 8% |
| Gross carrying amount | **1 163 175** | 1 141 950 | 15 424 | 272 | - | 5 529 |
| Expected credit loss | **1 021** | 134 | 433 | 12 | - | 442 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below.

*Maximum exposure to credit risk by class of financial asset is as follows:*

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Loans to related companies | 12 386 435 | 33 633 515 |
| Trade receivables, net of provision for expected credit losses | 3 001 824 | 1 162 154 |
| Other receivables | 62 007 | 55 455 |
| Cash and cash equivalents | 7 148 829 | 120 655 |
| **TOTAL:** | **22 599 095** | **34 971 779** |

The fair value of cash and cash equivalents at the end of the reporting period approximates the carrying value.

***Liquidity risk***

Liquidity risk is the risk that suitable resources of funding for the Company's business activities may not be available.

The Company manages its liquidity risk by maintaining sufficient cash, by arranging an adequate amount of committed credit facilities, by performing receivables and trade payables repayment term planning. Risk analysis and designing of risk management plans are conducted at the top management level, using the following table.

*The maturity analysis of financial instruments*

The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

| At 31 December 2020 | Demand and less than 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | Later than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Receivables from related companies | - | - | 5 135 220 | - | 7 251 215 | **12 386 435** |
| Trade receivables | 2 184 | - | - | 2 999 640 | - | **3 001 824** |
| Other receivables | - | - | 62 007 | - | - | **62 007** |
| Cash and cash equivalents | 7 148 829 | - | - | - | - | **7 148 829** |
| **Liabilities** | | | | | | |
| Loans from credit institutions | - | 2 744 | 215 204 | 3 372 901 | - | **3 590 849** |
| Payables to related companies | - | - | - | - | 6 191 425 | **6 191 425** |
| Trade payables | 204 685 | - | - | - | - | **204 685** |
| Other payables | - | - | 201 260 | - | - | **201 260** |
| Deferred income | - | - | 750 000 | 2 250 000 | - | **3 000 000** |
| **At 31 December 2019** | | | | | | |
| **Assets** | | | | | | |
| Loans to related companies | - | - | 12 997 075 | 11 428 218 | 9 208 222 | **33 633 515** |
| Trade receivables | 1 141 816 | 15 251 | 5 087 | - | - | **1 162 154** |
| Other receivables | - | - | 55 455 | - | - | **55 455** |
| Cash and cash equivalents | 120 655 | - | - | - | - | **120 655** |
| **Liabilities** | | | | | | |
| Loans from credit institutions | 32 476 | 64 953 | 324 762 | 7 014 867 | - | **7 437 058** |
| Payables to related companies | - | - | 16 234 968 | 12 529 669 | - | **28 764 637** |
| Trade payables | 478 407 | - | - | - | - | **478 407** |
| Other payables | 55 059 | - | 219 950 | - | - | **275 009** |
| Deferred income | - | - | 375 000 | 750 000 | - | **1 125 000** |

## 3.2. Capital management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings (including current and non-current borrowings). Total capital is calculated as equity (share capital, reserves and retained earnings or loss) plus debt.

The gearing ratio is as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Debt | 13 312 749 | 50 748 623 |
| Total equity | 46 124 645 | 30 374 520 |
| **Total capital** | **59 437 394** | **81 123 143** |
| **Gearing ratio** | **22.40%** | **62.56%** |

## 3.3. Fair value estimation

***Fair value***

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

***Fair value of financial instruments***

The Company has financial instruments which are not measured at fair value in the statement of financial position. For these financial instruments, the fair values are not materially different to their carrying amounts, since the interest payable is close to current market rates.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- trade and other receivables;
- other current financial assets;
- cash and cash equivalents;
- trade and other payables.

***Financial instruments that are not measured at fair value***

The table analyses the financial assets and liabilities that are not measured at fair value but whose fair value is disclosed according to its fair value hierarchy level.

| At 31 December 2020 | Level 1 | Level 2 | Level 3 | TOTAL |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments in subsidiaries | - | - | 28 351 436 | **28 351 436** |
| Loans to related companies | - | 12 386 435 | - | **12 386 435** |
| Trade receivables | - | - | 3 001 824 | **3 001 824** |
| Other receivables | - | - | 62 007 | **62 007** |
| Cash and cash equivalents | 7 148 829 | - | - | **7 148 829** |
| **Liabilities** | | | | |
| Loans from credit institutions | - | 3 590 849 | - | **3 590 849** |
| Payables to related companies | - | 6 191 425 | - | **6 191 425** |
| Trade payables | - | - | 204 685 | **204 685** |
| Other liabilities | - | - | 201 260 | **201 260** |
| Deferred income | 3 000 000 | - | - | **3 000 000** |
| **At 31 December 2019** | | | | |
| **Assets** | | | | |
| Investments in subsidiaries | - | - | 44 511 372 | **44 511 372** |
| Loans to related companies | - | 33 633 515 | - | **33 633 515** |
| Trade receivables | - | - | 1 162 154 | **1 162 154** |
| Other receivables | - | - | 55 455 | **55 455** |
| Cash and cash equivalents | 120 655 | - | - | **120 655** |
| **Liabilities** | | | | |
| Loans from credit institutions | - | 7 404 582 | - | **7 404 582** |
| Payables to related companies | - | 28 764 637 | - | **28 764 637** |
| Trade payables | - | - | 478 407 | **478 407** |
| Other liabilities | - | 603 880 | 275 009 | **878 889** |
| Deferred income | 1 125 000 | - | - | **1 125 000** |

There were no transfers between fair value hierarchy levels during 2020 and 2019.

The following methods and assumptions were used to estimate the fair values:

- assets and liabilities included in these tables are measured at amortized cost. The Company assumes that the fair value of those assets and liabilities approximates their carrying value;
- market interest rate was applied to long-term loan from credit institution and to long-term loans from related parties, so the Company assumes that the fair value of these loans approximates their carrying value and corresponds to Level 2 of the fair value hierarchy.

## Notes to the Statement of Financial Position

### 4. Goodwill

| | |
|---|---|
| **Cost and carrying amount at 31.12.2018** | **1 440 667** |
| Changes in the reporting year | - |
| **Cost and carrying amount at 31.12.2019** | **1 440 667** |
| Reorganisations (Note 30) | 4 545 897 |
| **Cost and carrying amount at 31.12.2020** | **5 986 564** |

In 2020, the Company improved the structure of the Group "Baltic RE Group" - two reorganisations were initiated by merging of the acquiring company AS "Baltic RE Group" with its subsidiaries (see Note 30). Assets and liabilities of the merging companies were reflected in the financial statements of AS "Baltic RE Group" at their carrying value as at the date of the merger, excluding intercompany balances and recognising the difference as goodwill and recognising the remaining difference in retained earnings. Goodwill arose in a business combination, when the Company acquired share capital and voting rights of subsidiaries and obtained control of them.

***Impairment***

No impairment charge of the item "Goodwill" arose as a result of the annual impairment test.

## 5. Property, plant and equipment

| | Other fixed assets and equipment | TOTAL |
|---|---|---|
| **2019** | | |
| **Cost at 31.12.2018** | **142 415** | **142 415** |
| Additions | 96 580 | **96 580** |
| Disposals | (197 169) | **(197 169)** |
| **Cost at 31.12.2019** | **41 826** | **41 826** |
| | | |
| **Accumulated depreciation at 31.12.2018** | **65 268** | **65 268** |
| Depreciation charge | 39 604 | **39 604** |
| Disposals | (74 533) | **(74 533)** |
| **Accumulated depreciation at 31.12.2019** | **30 339** | **30 339** |
| | | |
| **Net book amount at 31.12.2018** | **77 147** | **77 147** |
| **Net book amount at 31.12.2019** | **11 487** | **11 487** |
| | | |
| **2020** | | |
| **Cost at 31.12.2019** | **41 826** | **41 826** |
| Additions within reorganisations (Note 29) | 16 156 | **16 156** |
| Additions | 12 589 | **12 589** |
| **Cost at 31.12.2020** | **70 571** | **70 571** |
| | | |
| **Accumulated depreciation at 31.12.2019** | **30 339** | **30 339** |
| Additions within reorganisations (Note 29) | 15 164 | **15 164** |
| Depreciation charge | 11 289 | **11 289** |
| **Accumulated depreciation at 31.12.2020** | **56 792** | **56 792** |
| | | |
| **Net book amount at 31.12.2019** | **11 487** | **11 487** |
| **Net book amount at 31.12.2020** | **13 779** | **13 779** |

***Depreciation***

Total depreciation charge included in the following item of the statement of comprehensive income:

| | 2020 | 2019 |
|---|---|---|
| Administrative expenses | 6 075 | 39 604 |
| **TOTAL:** | **6 075** | **39 604** |

***Pledged assets***

Information on pledged assets is provided in Note 16.

## 6. Investment property

In 2020, the Company purchased land and a building in Riga, at Citadeles Street 9A. Taking into account the important changes in the office sector, the Company intends to introduce a new concept in Latvia. The property at Citadeles Street has great advantages - it is surrounded by a green environment, and AS "Baltic RE Group" will renovate the berth next to the canal, where a place to relax will be created. The name of the office building will be "Il Giardino". Reconstruction works were started for the building, therefore this building is classified in the item "Investment property under development":

| | Land | Buildings and constructions | Investment property under development | Prepayments for investment property | TOTAL |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **Cost at 31.12.2018** | **257 372** | **11 597 558** | **275 824** | **7 000** | **12 137 754** |
| Additions | - | - | 570 631 | - | **570 631** |
| Put into operation | - | 613 651 | (613 651) | - | - |
| Disposals | (257 372) | (12 211 209) | (232 804) | (7 000) | **(12 708 385)** |
| **Cost at 31.12.2019** | - | - | - | - | - |
| | | | | | |
| **Accumulated depreciation at 31.12.2018** | - | **1 561 942** | - | - | **1 561 942** |
| Depreciation charge | - | 510 212 | - | - | **510 212** |
| Disposals | - | (2 072 154) | - | - | **(2 072 154)** |
| **Accumulated depreciation at 31.12.2019** | - | - | - | - | - |
| | | | | | |
| **Net book amount at 31.12.2018** | **257 372** | **10 035 616** | **275 824** | **7 000** | **10 575 812** |
| **Net book amount at 31.12.2019** | - | - | - | - | - |
| **2020** | | | | | |
| **Cost at 31.12.2019** | - | - | - | - | - |
| Additions | 530 662 | - | 410 338 | - | **941 000** |
| Capital expenditure | - | - | 294 182 | - | **294 182** |
| **Cost at 31.12.2020** | **530 662** | - | **704 520** | - | **1 235 182** |
| | | | | | |
| **Accumulated depreciation at 31.12.2019** | - | - | - | - | - |
| **Accumulated depreciation at 31.12.2020** | - | - | - | - | - |
| | | | | | |
| **Net book amount at 31.12.2019** | - | - | - | - | - |
| **Net book amount at 31.12.2020** | **530 662** | - | **704 520** | - | **1 235 182** |

### *Depreciation*

Total depreciation charge included in the following item of the statement of comprehensive income:

| | 2020 | 2019 |
|---|---|---|
| Depreciation of investment property | - | 510 212 |
| **TOTAL:** | **-** | **510 212** |

## 7. Investments in subsidiaries

| Company | Interest | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| **SIA "KEY 1"**<br>reg.No. 40103212372<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 11 292 481 | 11 292 481 |
| **SIA "Key 2"**<br>reg.No. 40103451102<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 1 310 000 | 1 310 000 |
| **SIA "KEY 6"**<br>reg.No. 40103285982<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 3 012 934 | 3 012 934 |
| **SIA "Key 15"**<br>reg.No.. 40103568148<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | - | 10 004 936 |
| **SIA "Skunu 19"**<br>reg.No. 40003993617<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 12 720 021 | 12 720 021 |
| **SIA "TER Properties"**<br>reg.No. 40103881878<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | - | 6 155 000 |
| **SIA "RB 25"**<br>reg.No. 40203095542<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 8 200 | 8 200 |
| **SIA "Baltic Re Properties"**<br>reg.No. 40203185691<br>19 Skunu Street, Riga, LV-1050, Latvia | 100% | 7 800 | 7 800 |
| | **TOTAL:** | **28 351 436** | **44 511 372** |

***Changes in the investments***

| | |
|---|---|
| **At 31 December 2018** | **44 503 572** |
| Acquisition [1] | 7 800 |
| **At 31 December 2019** | **44 511 372** |
| Reorganisations (Note 30) | (16 159 936) |
| **At 31 December 2020** | **28 351 436** |

***[1] Acquisition of shares in SIA "Baltic Re Properties"***

On 19 February 2019 AS "Baltic RE Group" acquired 100% of shares and voting rights of SIA "Baltic Re Properties" registered in Latvia and obtained control of it. Core business activity of SIA "Baltic Re Properties" is renting and operating of own or leased real estate. SIA "Baltic Re Properties" was acquired in order to improve operational efficiency, with consequent cost savings. After the acquisition of SIA "Baltic Re Properties" shares, this company was included in the Group "Baltic RE Group".

***Dividends from subsidiaries***

In 2020 the Company did not recognise dividends receivable from subsidiaries (2019: EUR 485 439).

***Financial data of investees***

| | Equity | Total comprehensive income or loss | Equity | Total comprehensive income or loss |
|---|---|---|---|---|
| | 31.12.2020 | 2020 | 31.12.2019 | 2019 |
| SIA "KEY 1" | 9 941 040 | 2 698 688 | 7 353 037 | 140 523 |
| SIA "Key 2" | 923 825 | (12 157) | 967 515 | 34 446 |
| SIA "KEY 6" | 1 453 134 | (57 549) | 1 510 683 | 60 070 |
| SIA "Key 15" | - | - | 17 259 564 | 11 240 415 |
| SIA "Skunu 19" | 2 002 090 | (53 729) | 2 114 364 | (150 254) |
| SIA "TER Properties" | - | - | 4 487 117 | 476 142 |
| SIA "RB 25" | (104 780) | 63 771 | (32 573) | (4 708) |
| SIA "Baltic Re Properties" | (13 622) | (16 622) | 3 000 | - |
| **TOTAL:** | **14 201 687** | **2 622 402** | **33 662 707** | **11 796 634** |

***Pledged assets***

Information on pledged assets is provided in Note 16.

## 8. Loans and receivables from related companies

| ***Non-current*** | Interest rate | Maturity | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|
| *Unsecured* | | | | |
| Loan to related company | 3.15% | 25.10.2032 | - | 2 615 614 |
| Loan to related company | 3.15% | 31.12.2043 | 1 927 945 | 1 979 104 |
| Loan to related company | 3.15% | 25.10.2043 | 498 270 | 1 762 345 |
| Loan to related company | 3.15% | 25.09.2024 | - | 2 232 614 |
| Loan to related company | 3.15% | 25.04.2058 | - | 3 473 763 |
| Loan to related company | 3.15% | 31.12.2022 | - | 6 165 000 |
| Loan to related company (Note 30) | 2.55% | 31.12.2022 | - | 2 408 000 |
| Loan to related company | 3.15% | 31.12.2041 | 4 800 000 | - |
| Loan to related company | 3.15% | 31.12.2041 | 25 000 | - |
| | | **SUBTOTAL:** | **7 251 215** | **20 636 440** |

| ***Current*** | Interest rate | Maturity | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|
| *Unsecured* | | | | |
| Loan to related company | 3.15% | 31.12.2020 | - | 187 110 |
| Loan to related company | 3.15% | 31.12.2021 | 53 866 | 55 812 |
| Loan to related company | 3.15% | 31.12.2021 | 18 753 | 64 234 |
| Loan to related company | 3.15% | 31.12.2020 | - | 673 186 |
| Loan to related company | 3.15% | 31.12.2020 | - | 47 448 |
| Loan to related company | 3.15% | 31.12.2020 | - | 30 000 |
| Loan to related company | 2.55% | 31.12.2020 | - | 25 000 |
| Loan to related company | 3.00% | 31.12.2021 | 34 000 | 3 000 |
| Loan to related company | 3.00% | 31.12.2021 | 75 000 | - |
| Dividends receivable from subsidiaries (Note 30) | - | - | 4 478 858 | 11 911 285 |
| Debts from related companies | - | - | 474 743 | - |
| | | **SUBTOTAL:** | **5 135 220** | **12 997 075** |
| | | **TOTAL:** | **12 386 435** | **33 633 515** |

## 9. Trade receivables

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Trade receivables, carrying amount (Note 30) | 3 001 879 | 1 162 843 |
| Trade receivables, carrying amount – related companies | 332 | 332 |
| Provision for expected credit losses | (387) | (1 021) |
| **TOTAL:** | **3 001 824** | **1 162 154** |

***Movements in the provision for expected credit losses***

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Provision for expected credit losses at the beginning of the reporting year | 1 021 | 19 934 |
| Increase / (decrease) in the allowance for expected credit losses | (634) | (18 913) |
| **TOTAL:** | **387** | **1 021** |

Trade receivables are recognised and carried at original invoice amount less provision for expected credit losses. The carrying amounts of trade receivables approximate their fair values.

For terms and conditions relating to related party receivables, refer to Note 31.

See Note 3.1 on credit risk of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables.

## 10. Other receivables

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Prepaid expense | 983 777 | 141 665 |
| Overpayment of value added tax | 76 468 | - |
| Security deposit | 62 007 | 55 455 |
| Payments to advance settlement parties | 7 272 | 1 671 |
| Overpayment of personal income tax | 2 839 | - |
| Overpayments of taxes and fees | - | 4 |
| Other receivables | 18 883 | 14 494 |
| **TOTAL:** | **1 151 246** | **213 289** |

## 11. Accrued income

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Invoices issued in the next reporting period, but refer to revenue of current reporting period | 114 076 | 26 703 |
| **TOTAL:** | **114 076** | **26 703** |

## 12. Cash and cash equivalents

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cash at bank, EUR | 7 142 147 | 117 763 |
| Cash on payment cards, EUR | 6 682 | 2 892 |
| **TOTAL:** | **7 148 829** | **120 655** |

## 13. Share capital

The share capital of the Company is composed of shareholders capital investment of EUR 29 000 000, the total authorised number of ordinary shares is 29 000 000 with a par value of EUR 1 per share. All issued shares are fully paid.

| | Number of ordinary shares | Share capital |
|---|---|---|
| **Balance as at 31 December 2018** | **29 000 000** | **29 000 000** |
| Changes in the reporting year | - | - |
| **Balance as at 31 December 2019** | **29 000 000** | **29 000 000** |
| Changes in the reporting year | - | - |
| **Balance as at 31 December 2020** | **29 000 000** | **29 000 000** |

***Ordinary shares***

Ordinary shares entitle the holder to:

- participate in dividends in proportion to the total of the nominal value of the shares owned. Dividends shall be calculated and paid out for fully paid-up shares;
- voting rights (only a fully paid-up share);

- share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held;
- shares may be pledged on the basis of commercial pledge regulations.

***Share premium***

| | |
|---|---|
| **Balance as at 31 December 2018** | **400 000** |
| Changes in the reporting year | - |
| **Balance as at 31 December 2019** | **400 000** |
| Changes in the reporting year | - |
| **Balance as at 31 December 2020** | **400 000** |

## 14. Other reserves

| | Reorganization reserve |
|---|---|
| **At 31 December 2018** | **16 101** |
| Changes in the reporting year | - |
| **At 31 December 2019** | **16 101** |
| Changes in the reporting year (Note 30) | (3 011 239) |
| **At 31 December 2020** | **(2 995 138)** |

## 15. Retained earnings

| | |
|---|---|
| **At 31 December 2018** | **11 182 762** |
| Dividends calculated | 11 165 000 |
| Profit for the period | 940 657 |
| **At 31 December 2019** | **958 419** |
| Reorganisation result (Note 30) | 19 039 660 |
| Loss for the period | (278 296) |
| **At 31 December 2020** | **19 719 783** |

## 16. Loans and payables to related companies

| ***Non-current*** | Interest rate | Maturity | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|
| *Secured* | | | | |
| Loan from Luminor Bank AS [1] | 3% + 3M EURIBOR | 21.11.2023 | 3 372 901 | 7 014 867 |
| *Unsecured* | | | | |
| Loan from related company (Note 30) | 2.92% | 31.12.2022 | - | 12 529 669 |
| | | **SUBTOTAL:** | **3 372 901** | **19 544 536** |
| ***Current*** | | | | |
| *Secured* | | | | |
| Loan from Luminor Bank AS [1] | 3% + 3M EURIBOR | 31.12.2021 | 215 204 | 389 715 |
| *Unsecured* | | | | |
| Payables to related companies for the purchase of shares (Note 30) | - | 31.12.2021 | 6 189 969 | 16 234 968 |
| Negative balance on payment cards | - | 31.12.2021 | 2 744 | - |
| Payables to related companies | - | 31.12.2021 | 1 456 | - |
| Loan from related company for the increase of share capital | - | 31.12.2020 | - | 545 000 |
| Accrued interest | - | 31.12.2020 | - | 58 880 |
| | | **SUBTOTAL:** | **6 409 373** | **17 228 563** |
| | | **TOTAL:** | **9 782 274** | **36 773 099** |

***[1] Loan agreement with credit institution***

*Financial covenants*

The loan agreement concluded between the Company and the credit institution contains several conditions that the Company has to fulfil, including financial covenants (for example, Debt Service Coverage Ratio (DSCR) is at least 1.2). Once a quarter, the Company has to report to the credit institution on the fulfilment of these conditions. As at the end of the reporting period the Company met financial conditions that were set.

The terms of the loan agreement also prohibit the Company from paying dividends without the written consent of the credit institution, except for the payment of dividends on the conditions that:

- the outstanding loan does not exceed 50% of the actual market value of the real estates that are included in the pledged property set by a certified valuator;
- after the payment of dividends cash is freely available in the Company's current accounts, which are necessary to cover regular loan repayments and interest payments of three months;
- all financial ratios are complied with.

*Mortgage on real estate*

According to the loan agreement with the credit institution, the Company's obligations against the credit institution are secured by a mortgage on real estate owned by the Group companies – SIA "Key 2", SIA "KEY 6", SIA "Skunu 19".

*Pledges*

According to the loan agreement with the credit institution, the Company's obligations against the credit institution are secured by a pledge on Group companies – AS "Baltic RE Group", SIA "Key 2", SIA "KEY 6", SIA "Skunu 19" as assets in aggregate; AS "Baltic RE Group" shares owned in SIA "Key 2", SIA "KEY 6", SIA "Skunu 19". Maximum claim amount is EUR 45 890 000.

*Guarantees*

According to the loan agreement with the credit institution, the Company's obligations against the credit institution are secured by the Group companies' - SIA "Key 2", SIA "KEY 6", SIA "Skunu 19" guarantees.

*Financial pledge*

According to the loan agreement with the credit institution, the Company's obligations against the credit institution are secured by financial pledge on all Company's deposits made with credit institution (as present, as well as future) and all funds which are owed (will be owed) by the credit institution to the Company.

## 17. Trade payables

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Trade payables (Note 30) | 204 685 | 263 152 |
| Trade payables – related companies | - | 215 255 |
| **TOTAL:** | **204 685** | **478 407** |

The carrying amounts of trade payables approximate their fair values. Trade payables are non-interest bearing and are normally settled on 15-30-days terms.

For explanations on the Company's liquidity risk management processes, refer to Note 3.1.

## 18. Taxes payable

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Statutory social insurance contributions | 11 419 | 10 253 |
| Corporate income tax | 33 | 3 057 |
| State fee for business risk | 4 | - |
| Personal income tax | - | 214 713 |
| Value added tax | - | 19 919 |
| **TOTAL:** | **11 456** | **247 942** |

## 19. Other payables

| ***Current*** | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Security deposits (Note 30) | 200 000 | 219 950 |
| Payments to advance settlement parties | 17 434 | 789 |
| Salaries | 585 | 53 030 |
| Payables for the acquisition of shares in subsidiary | - | 43 200 |
| Other payables | 1 260 | 2 029 |
| **TOTAL:** | **219 279** | **318 998** |

Other liabilities are non-interest bearing; current liabilities have an average term of 1 month.

For explanations on the Company's liquidity risk management processes, refer to Note 3.1.

## 20. Deferred income

In December 2019 AS "Baltic RE Group" together with its fully owned subsidiaries SIA "Key 15" and SIA "BB 21" sold part of the investment property portfolio - office buildings in Riga at Kalku street 12, Kalku Street 15 and

Brivibas boulevard 21. A deferred part of price has been negotiated with the buyer, which is subject to achievement of a certain portfolio NOI.

| *Non-current* | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Deferred part of price for real estate (Note 30) | 2 250 000 | 750 000 |
| **SUBTOTAL:** | **2 250 000** | **750 000** |
| *Current* | | |
| Deferred part of price for real estate (Note 30) | 750 000 | 375 000 |
| **SUBTOTAL:** | **750 000** | **375 000** |
| **TOTAL:** | **3 000 000** | **1 125 000** |

## 21. Accrued liabilities

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Accrued liabilities | 32 434 | 784 642 |
| Accrued liabilities – related companies | - | 2 257 |
| Accrued liabilities – unused annual leaves | 62 621 | 62 621 |
| **TOTAL:** | **95 055** | **849 520** |

# Notes to the Statement of Comprehensive Income

## 22. Revenue

| *Revenues by business stream* | 2020 | 2019 |
|---|---|---|
| Revenue from real estate lease | - | 738 211 |
| Revenue from real estate management services and other services | 779 432 | 1 078 320 |
| **TOTAL:** | **779 432** | **1 816 531** |

| *Revenues by region* | 2020 | 2019 |
|---|---|---|
| Latvia | 779 432 | 1 816 531 |
| **TOTAL:** | **779 432** | **1 816 531** |

## 23. Cost of sales

| | 2020 | 2019 |
|---|---|---|
| Property management and utilities expenses | 276 413 | 287 017 |
| Personnel expenses | 52 771 | 160 743 |
| Insurance payments | 18 996 | 17 870 |
| Labor protection expenses | 3 278 | 1 984 |
| State and local municipality fees | 112 | 307 |
| Real estate tax on land and buildings | - | 23 665 |
| Other costs | 22 177 | 15 689 |
| **TOTAL:** | **373 747** | **507 275** |

## 24. Distribution costs

| | 2020 | 2019 |
|---|---|---|
| Participation in the associations | 8 692 | 8 031 |
| Advertising costs | 3 548 | 2 759 |
| **TOTAL:** | **12 240** | **10 790** |

## 25. Administrative expenses

| | 2020 | 2019 |
|---|---|---|
| Personnel expenses | 131 984 | 401 612 |
| Rental and utilities expenses | 43 436 | 108 670 |
| Audit of financial statements expenses [1] | 19 921 | 18 000 |
| Representation expenses | 13 386 | 33 894 |
| Office expenses | 10 835 | 9 217 |
| Property, plant and equipment depreciation | 6 075 | 39 604 |
| Bank charges | 4 897 | 10 650 |
| Communication expenses | 4 181 | 4 473 |
| Consulting services | 810 | 5 339 |
| Intangible assets amortisation | 45 | - |
| Business trips expenses | - | 79 592 |
| Legal services | - | 10 501 |
| Other expenses | 23 836 | 33 315 |
| **TOTAL:** | **259 406** | **754 867** |

[1] Audit expenses include the remuneration of the firm of sworn auditors SIA "Nexia Audit Advice" for audit of financial statements and consolidated financial statements.

## 26. Other operating expense

| | 2020 | 2019 |
|---|---|---|
| Paid fines and penalties | 865 | 825 |
| Write-offs of receivables and impairment loss on trade receivables | (634) | (18 913) |
| Losses from assignment agreements | - | 336 010 |
| Bonds payment service expenses | - | 218 208 |
| Other operating expense | 29 000 | 19 |
| **TOTAL:** | **29 231** | **536 149** |

## 27. Finance income

| | 2020 | 2019 |
|---|---|---|
| Interest income | 416 005 | 687 833 |
| **TOTAL:** | **416 005** | **687 833** |

## 28. Finance costs

| | 2020 | 2019 |
|---|---|---|
| Interest expense on loans from related companies | 581 188 | 56 530 |
| Interest on long-term loan from credit institution | 216 158 | 1 112 698 |
| **TOTAL:** | **797 346** | **1 169 228** |

## Other Disclosures

## 29. Staff costs and number of employees

***The total personnel costs are included in the following statement of comprehensive income items:***

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | **52 707** | **110 323** |
| - salaries | 42 475 | 89 796 |
| - statutory social insurance contributions | 10 232 | 20 527 |
| Administrative expenses | **131 982** | **401 609** |
| - salaries | 111 437 | 337 247 |
| - statutory social insurance contributions | 20 545 | 64 362 |
| **TOTAL:** | **184 689** | **511 932** |

***Compensation of key management personnel of the Company***

| | 2020 | 2019 |
|---|---|---|
| **Board members** | | |
| Salaries | 238 080 | 283 151 |
| Statutory social insurance contributions | 44 214 | 52 250 |
| **TOTAL:** | **282 294** | **335 401** |
| **Council members** | | |
| Salaries | 16 200 | 14 800 |
| Statutory social insurance contributions | 2 553 | 1 542 |
| **TOTAL:** | **18 753** | **16 342** |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

During 2020 and 2019 no loans or guarantees were issued to the members of the Board or Council.

***Average number of employees***

| | 2020 | 2019 |
|---|---|---|
| Average number of employees during the reporting year | 18 | 13 |
| **TOTAL:** | **18** | **13** |

Average number of employees during the reporting year includes members of the Board and Council of the Company.

## 30. Reorganisation

In 2020, the Company improved the structure of the Group "Baltic RE Group" - two reorganisations were initiated by merging of the acquiring company AS "Baltic RE Group" with the following merging companies:

1. 100% owned subsidiaries - SIA "Key 15", SIA "TER Properties" and SIA "BB 21" (SIA "TER Properties" 100% owned subsidiary). As a result of the reorganisation, the assets, rights and liabilities of the merging companies were transferred to the acquiring company AS "Baltic RE Group" as at 31 December 2020;
2. 100% owned subsidiary SIA "KEY 1". As a result of the reorganisation, the assets, rights and liabilities of the merging company were transferred to the acquiring company AS "Baltic RE Group" as at 31 March 2021.

Assets and liabilities of the merging companies were reflected in the financial statements of AS "Baltic RE Group" at their carrying value as at the date of the merger, excluding intercompany balances and recognising the difference as goodwill and recognising the remaining difference in retained earnings and other reserves. The reorganisations were completed in May 2021 (see also Note 32 "Events after the reporting period"). The reorganisation process was the next step in the announced process of simplifying the structure of the Group "Baltic RE Group", in the light of improving the operational and financial efficiency.

The following table summarises information on assets and liabilities, retained earnings that were taken over, and excluded intercompany balances:

| | | 31.12.2020 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | | 4 545 897 |
| Property, plant and equipment | | 992 |
| Investments in subsidiaries | | (16 159 936) |
| Loans and receivables from related companies | | (2 380 000) |
| **Current assets** | | |
| Unfinished orders | | 3 000 |
| Trade receivables | | 1 875 000 |
| Receivables from related companies | | (10 175) |
| Other receivables | | 278 054 |
| Cash and cash equivalents | | 7 031 668 |
| | **TOTAL assets:** | **(4 815 500)** |
| **Equity** | | |
| Retained earnings | | 16 028 422 |
| | **TOTAL equity:** | **16 028 422** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Payables to related companies | | (13 729 669) |
| Deferred income | | 1 500 000 |
| **Current liabilities** | | |
| Trade payables | | 120 466 |
| Payables to related companies | | (9 309 719) |
| Other payables | | 200 000 |
| Deferred income | | 375 000 |
| | **TOTAL liabilities:** | **(20 843 922)** |

## 31. Related party transactions

***Key management compensation***

Information on key management compensation is provided in Note 29.

***Terms and conditions of transactions with related parties***

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

| | | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| Subsidiaries | 2020 | - | - | 4 953 601 | 6 191 425 |
| | 2019 | 1 938 251 | 30 422 | 11 931 483 | 16 234 968 |
| Other related parties | 2020 | - | 178 466 | 332 | - |
| | 2019 | 5 709 | 849 385 | 332 | 11 171 063 |

*Loans to related parties*

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Subsidiaries | 7 432 834 | 21 722 230 |
| **TOTAL:** | **7 432 834** | **21 722 230** |

*Loans from related parties*

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Subsidiaries | - | 12 529 669 |
| Other related parties | - | 545 000 |
| Accrued interest | - | 58 880 |
| **TOTAL:** | **-** | **13 133 549** |

## 32. Events after the reporting period

***Reorganisation of AS "Baltic Re Group"***

On 21 May 2021, the reorganisation was completed - the merger, which was started in 2020 - the acquiring company AS "Baltic RE Group" merged with the merging companies - 100% owned subsidiaries - SIA "Key 15", SIA "TER Properties" and SIA "BB 21" (a 100% owned subsidiary of SIA "TER Properties"). As a result of the reorganisation, the assets, rights and liabilities of the merging companies were transferred to the acquiring company AS "Baltic RE Group" as at 31 December 2020. During the reorganisation, the share capital of AS "Baltic RE Group" was not increased, as a result no new shares of the acquiring company were issued, moreover, before the reorganisation all shares of the merging companies were directly or indirectly owned by AS "Baltic RE Group".

On 21 May 2021, the second reorganisation was also completed - the merger, which was started in 2020 - the acquiring company AS "Baltic RE Group" merged with the merging company - 100% owned subsidiary SIA "KEY 1". As a result of the reorganisation, the assets, rights and liabilities of the merging company were transferred to the acquiring company AS "Baltic RE Group" as at 31 March 2021. During the reorganisation, the share capital of AS "Baltic RE Group" was not increased, as a result no new shares of the acquiring company were issued, moreover, before the reorganisation all shares of the merging company were owned by AS "Baltic RE Group".

Other than the above, as of the last day of the reporting period until the date of signing of these financial statements there were no material events requiring adjustment of or disclosure in these financial statements or notes there to.

On behalf of AS "Baltic RE Group" Board:

**Giovanni Dalla Zonca**
Chairman of the Board

**Līga Ostele**
Accountant

Riga, 30 June 2021