



AS "Baltic RE Group"
(REGISTRATION NUMBER 40103716434)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

**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, 2020



AS "Baltic RE Group"

Registration number: 40103716434

Legal address: 19 Skunu Street, Riga, LV-1050, Latvia

Annual Report for the year ended 31 December 2019

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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 Riga, 2 October 2013
Legal address of the company	19 Skunu Street, Riga, LV-1050, Latvia
Corporate website	www.balticregroup.com
Board	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>



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Council

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

Dina Abaja has more than 7 years' experience in high street real estate – retail, offices and mixed use centres management as key account for owners and tenants. 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.

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 1"

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

SIA "Key 2"

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

SIA "KEY 6"

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



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	SIA "Key 15" 19 Skunu Street, Riga, LV-1050, Latvia (100%)
	SIA "Skunu 19" 19 Skunu Street, Riga, LV-1050, Latvia (100%)
	SIA "TER Properties" 19 Skunu Street, Riga, LV-1050, Latvia (100%)
	SIA "BB 21" 19 Skunu Street, Riga, LV-1050, Latvia (indirect holding 100%)
	SIA "RB 25" 19 Skunu Street, Riga, LV-1050, Latvia (100%)
	SIA "Baltic Re Properties" 19 Skunu Street, Riga, LV-1050, Latvia (100%)
Activity code (NACE 2.0 red)	Renting and operating of own or leased real estate (68.20) Buying and selling of own real estate (68.10) Real estate agencies (68.31) Management of real estate on a fee or contract basis (68.32)
Previous financial year	1 January 2018 – 31 December 2018
Financial year	1 January 2019 – 31 December 2019
Auditors	Marija Jansone Certified Auditor of the Republic of Latvia Certificate No.25 SIA "Nexia Audit Advice" Reg.No. 40003858822 9-3 Grecinieku Street, Riga, LV-1050, Latvia Licence No.134





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Management Report

General information

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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), 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.

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.

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". Acquisition of SIA "Baltic Re Properties" shares is further strategic step of AS "Baltic RE Group" in the expansion of its activity, investing in real estate with high quality and unique historical heritage of the Old Riga and close areas in quiet Riga centre.

In December 2019 AS "Baltic RE Group" together with its fully owned subsidiaries SIA "Key 15" and SIA "BB 21" sold part of investment property portfolio to SIA "KKB Real Estate", which acquired three landmark office buildings in Riga at Kalku street 12, Kalku Street 15 and Brivibas boulevard 21. The buyer is a subsidiary of Vienna Insurance Group, headquartered in the Austrian capital Vienna and listed on the Vienna Stock Exchange with total assets of over EUR 50 billion. Transformation of its portfolio executed by AS "Baltic RE Group" confirms once more that historical buildings can be successfully commercialized creating value for the Company and spark interest of professional investors. The asset sale has been closed for the transaction amount of EUR 59 million, so becoming the largest real estate office deal of the decade in Latvia; parameters of valuation applied in the deal mark a new benchmark in the top segment of the market. EUR 3 million out of the total amount of EUR 59 million has been negotiated as deferred part of price subject to achievement of a certain portfolio NOI. Real estate at Kalku Street 12 owned by AS "Baltic RE Group" has been directly sold by the Company for an asset deal price of EUR 14.1 million, of which EUR 1 125 000 as deferred part. AS "Baltic RE Group" will continue to cooperate with the buyer having been chosen to manage the sold properties.

On 18 December 2019 the General Meeting of stockholders resolved to distribute a dividend of EUR 0.385 per share, with a total amount of EUR 11 165 000. Dividends were paid to stockholders in March 2020.

The Company's revenue for the year ended 31 December 2019 is EUR 1 816 531. The Company ended the reporting period with a profit of EUR 940 657. The Company's equity as at 31 December 2019 is positive and amounts to EUR 30 374 520.

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 81 123 143. Non-current assets comprise 82% of the statement of financial position total, of which 67% (EUR 44 511 372) comprise of investments in subsidiaries. Equity comprises 37% (EUR 30 374 520) of the statement of financial position total. Non-current liabilities comprise 25% (EUR 20 294 536) of the statement of financial position total, while current liabilities comprise 38% (EUR 30 454 087).

The analysis of the Company's statement of comprehensive income shows, that the revenue of the Company for the year ended 31 December 2019 is EUR 1 816 531, the cost of sales is EUR 507 275, depreciation of investment property is EUR 510 212, so that the gross profit amounts to EUR 799 044 and net profit amounts to EUR 940 657.



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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 = 0.48 - the ratio has decreased, comparing with 2018 (0.74).

Solvency (Company's ability to cover non-current and current liabilities):

Debt to assets ratio = 0.63 - the ratio has increased, comparing with 2018 (0.56).

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 2020 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 2020 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 improve the quality management system, as well as to find new customers and increase sales, the Company plans to optimize costs. The Company is focused and ready to get opportunities which shall appear on the market, to further invest in landmark properties consistent with the unparalleled quality of the existing portfolio.

Subsequent events


After the end of the financial year, in March 2020, restrictions related to the spread of coronavirus Covid-19 have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is not foreseeable how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company's management constantly evaluates the situation. At present, the Company has not identified any significant impact of the emergency on the Company when assessing the current situation. The Company's management believes that the Company will be able to overcome the emergency situation with an action plan for resolving non-standard situations. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events on the Company's future operations may differ from the management's assessment.

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 Management proposes to leave the profit for the reporting period retained.

On behalf of AS "Baltic RE Group" Board:


Giovanni Dalla Zonca
Chairman of the Board

Riga, 29 June 2020



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Financial Statements

Statement of Financial Position

ASSETS	Note	31.12.2019	31.12.2018
		EUR	EUR
Non-current assets			
Goodwill	4	1 440 667	1 440 667
Property, plant and equipment	5	11 487	77 147
Investment property	6	-	10 575 812
Investments in subsidiaries	7	44 511 372	44 503 572
Loans to related companies	8	20 636 440	21 608 016
Other loans and other long-term receivables	8	-	13 000
		66 599 966	78 218 214
Current assets			
Unfinished orders		3 301	-
Trade receivables	9	1 162 154	424 578
Receivables from related companies	8	12 997 075	12 835 915
Other receivables	10	213 289	555 584
Accrued income	11	26 703	255 970
Cash and cash equivalents	12	120 655	17 415
		14 523 177	14 089 462
TOTAL ASSETS		81 123 143	92 307 676
EQUITY AND LIABILITIES			
Equity			
Share capital	13	29 000 000	29 000 000
Share premium	13	400 000	400 000
Other reserves		16 101	16 101
Retained earnings	14	958 419	11 182 762
Total equity		30 374 520	40 598 863
Non-current liabilities			
Loans from credit institutions	15	7 014 867	32 670 236
Payables to related companies	15	12 529 669	-
Other payables	18	-	95 386
Deferred income	6	750 000	-
		20 294 536	32 765 622
Current liabilities			
Loans from credit institutions	15	389 715	1 690 364
Borrowings	15	603 880	545 000
Trade payables	16	478 407	167 562
Payables to related companies	15	16 234 968	16 273 986
Taxes payable	17	247 942	41 379
Other payables	18	318 998	100 683
Deferred revenue	6	375 000	-
Unpaid dividends		10 955 657	-
Accrued liabilities	19	849 520	124 217
		30 454 087	18 943 191
Total liabilities		50 748 623	51 708 813
TOTAL EQUITY AND LIABILITIES		81 123 143	92 307 676

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


Jekaterina Kuzmenko
Accountant

Riga, 29 June 2020



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Statement of Comprehensive Income

	Note	2019 EUR	2018 EUR
Revenue	20	1 816 531	1 918 764
Cost of sales	21	(507 275)	(443 686)
Depreciation of investment property	22	(510 212)	(506 681)
Gross profit		799 044	968 397
Distribution costs	23	(10 790)	(7 233)
Administrative expenses	24	(754 867)	(650 449)
Other operating income	25	1 443 907	12 546
Other operating expense	26	(536 149)	(95 303)
Dividends from subsidiaries	7	485 439	938 825
Operating profit		1 426 584	1 166 783
Finance income	27	687 833	719 574
Finance costs	28	(1 169 228)	(1 385 407)
Profit before tax		945 189	500 950
Income tax		(4 532)	-
PROFIT FOR THE YEAR		940 657	500 950
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		940 657	500 950

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

Riga, 29 June 2020


Jekaterina Kuzmenko
Accountant

**AS "Baltic RE Group"**

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Statement of Cash Flows

	Note	2019 EUR	2018 EUR
Cash flows from operating activities			
Profit before tax		945 189	500 950
Adjustments for:			
Amortisation and depreciation	5, 6	549 816	535 600
Gain on disposal of investment property	25	(1 443 409)	-
Income from participating interests in subsidiaries	7	(485 439)	-
Finance income	27	(687 833)	(719 574)
Finance costs	28	1 169 228	1 385 407
Operating cash flows before working capital changes		47 552	1 702 383
(Increase) / decrease in inventories		(3 301)	-
(Increase) / decrease in trade and other receivables		292 682	(1 653 953)
Increase / (decrease) in trade and other payables		1 424 522	(3 998 508)
Cash generated from operations		1 761 455	(3 950 078)
Interest paid	28	(1 169 228)	(1 385 407)
Corporate income tax paid		(4 532)	-
Net cash generated from operating activities		587 695	(5 335 485)
Cash flows from investing activities			
Acquisition of shares in subsidiaries	7	(7 800)	(825 000)
Purchases of property, plant and equipment and investment property	5	(667 211)	(137 323)
Proceeds from disposal of investment property	6	12 975 000	-
Proceeds from loan repayment		913 576	423 104
Interest received	27	687 833	719 574
Dividends received		79 514	-
Net cash used in investing activities		13 980 912	180 355
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	13	-	4 400 000
Proceeds from borrowings	15	12 490 651	4 471 020
Repayments of borrowings		(26 956 018)	(3 875 404)
Net cash used in financing activities		(14 465 367)	4 995 616
Net increase in cash and cash equivalents		103 240	(159 514)
Cash and cash equivalents at the beginning of the year		17 415	176 929
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING YEAR		120 655	17 415

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

Riga, 29 June 2020



Jekaterina Kuzmenko
Accountant



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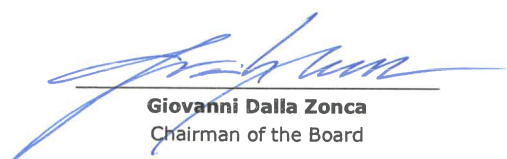
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Statement of Changes in Equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	TOTAL
		EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2017		25 000 000	-	16 101	10 681 812	35 697 913
Proceeds from shares issued	13	4 000 000	400 000	-	-	4 400 000
Comprehensive income						
Profit for the period	14	-	-	-	500 950	500 950
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	500 950	500 950
Balance as at 31 December 2018		29 000 000	400 000	16 101	11 182 762	40 598 863
Dividends calculated	14	-	-	-	(11 165 000)	(11 165 000)
Comprehensive income						
Profit for the period	14	-	-	-	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

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

Riga, 29 June 2020


Jekaterina Kuzmenko
Accountant



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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.

The Chairman of the Board is Giovanni Dalla Zonca, members of the Board - Marco Chioatto and Dina Abaja.

Auditors of AS "Baltic RE Group" financial statements are SIA "Nexia Audit Advice", reg.No. 40003858822, Licence No.134, and responsible sworn auditor is Marija Jansone, LACA Certificate No.25.

These financial statements for the year ended 31 December 2019 were authorised for issue by a resolution of the AS "Baltic RE Group" Board on 29 June 2020.

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 2019 to 31 December 2019.

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.



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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-elapsing measure of progress, because tenants simultaneously receive and consume 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 2018, but did not have significant impact on these financial statements:

1) *New standards and interpretations:*

- IFRS 16 Leases (issued on 13 January 2016) (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company adopted IFRS 16 retrospectively to each prior reporting period presented. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., mobile phones, carpets, drinking water equipment) that are considered of low value. The adoption of IFRS 16 did not have material impact on the Company's financial statements.



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- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019).

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 References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) (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 IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for annual periods beginning on or after 1 January 2020).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020).

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 and interpretations:

- IFRS 17 Insurance Contracts (issued on 18 May 2017) (effective for annual periods beginning on or after 1 January 2021).

2) Amendments:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well as Annual Improvements 2018-2020 (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 (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2022).

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.

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.



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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.

See Note 20 for the recognition of rental income.

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.



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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

Reorganization reserve

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

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;



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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:

	TOTAL	Thereof past due				
		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
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
At 31 December 2018						
Expected credit loss rate		1%	2%	3%	4%	8%
Gross carrying amount	444 512	164 015	13 662	34 084	40 548	192 203
Expected credit loss	19 934	1 640	273	1 023	1 622	15 376

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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:

	31.12.2019	31.12.2018
Loans to related companies	33 633 515	34 443 931
Other loans and other long-term receivables	-	13 000
Trade receivables, net of provision for expected credit losses	1 162 154	424 578
Other receivables	55 455	33 487
Cash and cash equivalents	120 655	17 415
TOTAL:	34 971 779	34 932 411

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 2019	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						
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



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At 31 December 2018	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						
Loans to related companies	-	-	12 835 915	12 399 794	9 208 222	34 443 931
Other loans and other long-term receivables	-	-	-	13 000	-	13 000
Trade receivables	162 375	13 389	248 814	-	-	424 578
Other receivables	-	-	33 487	-	-	33 487
Cash and cash equivalents	17 415	-	-	-	-	17 415
Liabilities						
Loans from credit institutions	-	296 638	1 393 726	32 670 236	-	34 360 600
Payables to related companies	-	-	16 273 986	-	-	16 273 986
Trade payables	167 562	-	-	-	-	167 562
Other payables	-	-	44 040	95 386	-	139 426

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 net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity (share capital, reserves and retained earnings or loss) plus net debt.

The gearing ratio is as follows:

	31.12.2019	31.12.2018
Total borrowings	50 748 623	51 708 813
Less: cash and cash equivalents	(120 655)	(17 415)
Net debt	50 627 968	51 691 398
Total equity	30 374 520	40 598 863
Total capital	81 002 488	92 290 261
Gearing ratio	62.50%	56.00%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

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.



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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 2019	Level 1	Level 2	Level 3	TOTAL
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



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At 31 December 2018	Level 1	Level 2	Level 3	TOTAL
Assets				
Investments in subsidiaries	-	-	44 503 572	44 503 572
Loans to related companies	-	34 443 931	-	34 443 931
Other loans and other long-term receivables	-	13 000	-	13 000
Trade receivables	-	-	424 578	424 578
Other receivables	-	-	33 487	33 487
Cash and cash equivalents	17 415	-	-	17 415
Liabilities				
Loans from credit institutions	-	34 360 600	-	34 360 600
Payables to related companies	-	16 273 986	-	16 273 986
Trade payables	-	-	167 562	167 562
Other liabilities	-	545 000	139 426	684 426

There were no transfers between fair value hierarchy levels during 2019 and 2018.

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 31.12.2017	1 440 667
Changes in the reporting year	-
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

Impairment

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

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5. Property, plant and equipment

	Other fixed assets and equipment	TOTAL
2018		
Cost at 31.12.2017	117 247	117 247
Additions	25 168	25 168
Cost at 31.12.2018	142 415	142 415
Accumulated depreciation at 31.12.2017	36 622	36 622
Depreciation charge	28 646	28 646
Accumulated depreciation at 31.12.2018	65 268	65 268
Net book amount at 31.12.2017	80 625	80 625
Net book amount at 31.12.2018	77 147	77 147
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

Depreciation

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

	2019	2018
Administrative expenses	39 604	28 646
TOTAL:	39 604	28 646

Pledged assets

Information on pledged assets is provided in Note 15.

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6. Investment property

In December 2019 AS "Baltic RE Group" together with its fully owned subsidiaries SIA "Key 15" and SIA "BB 21" sold part of investment property portfolio to SIA "KKB Real Estate", which acquired three landmark office buildings in Riga at Kalku street 12, Kalku Street 15 and Brivibas boulevard 21. The buyer is a subsidiary of Vienna Insurance Group, headquartered in the Austrian capital Vienna and listed on the Vienna Stock Exchange with total assets of over EUR 50 billion.

Transformation of its portfolio executed by AS "Baltic RE Group" confirms once more that historical buildings can be successfully commercialized creating value for the Company and spark interest of professional investors. The asset sale has been closed for the transaction amount of EUR 59 million, so becoming the largest real estate office deal of the decade in Latvia; parameters of valuation applied in the deal mark a new benchmark in the top segment of the market. EUR 3 million out of the total amount of EUR 59 million has been negotiated as deferred part of price subject to achievement of a certain portfolio NOI. Real estate at Kalku Street 12 owned by AS "Baltic RE Group" has been directly sold by the Company for an asset deal price of EUR 14.1 million, of which EUR 1 125 000 as deferred part.

AS "Baltic RE Group" will continue to cooperate with the buyer having been chosen to manage the sold properties.

	Land	Buildings and constructions	Construction in progress	Prepayments for investment property	TOTAL
2018					
Cost at 31.12.2017	257 372	11 535 422	232 805	-	12 025 599
Additions	-	-	105 155	7 000	112 155
Put into operation	-	62 136	(62 136)	-	-
Cost at 31.12.2018	257 372	11 597 558	275 824	7 000	12 137 754
Accumulated depreciation at 31.12.2017	-	1 055 261	-	-	1 055 261
Depreciation charge	-	506 681	-	-	506 681
Accumulated depreciation at 31.12.2018	-	1 561 942	-	-	1 561 942
Net book amount at 31.12.2017	257 372	10 480 161	232 805	-	10 970 338
Net book amount at 31.12.2018	257 372	10 035 616	275 824	7 000	10 575 812
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	-	-	-	-	-

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Depreciation

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

	2018	2017
Depreciation of investment property	506 681	503 288
TOTAL:	506 681	503 288

7. Investments in subsidiaries

Company	Interest	31.12.2019	31.12.2018
SIA "KEY 1" reg.No. 40103212372 19 Skunu Street, Riga, LV-1050, Latvia	100%	11 292 481	11 292 481
SIA "Key 2" reg.No. 40103451102 19 Skunu Street, Riga, LV-1050, Latvia	100%	1 310 000	1 310 000
SIA "KEY 6" reg.No. 40103285982 19 Skunu Street, Riga, LV-1050, Latvia	100%	3 012 934	3 012 934
SIA "Key 15" reg.No. 40103568148 19 Skunu Street, Riga, LV-1050, Latvia	100%	10 004 936	10 004 936
SIA "Skunu 19" reg.No. 40003993617 19 Skunu Street, Riga, LV-1050, Latvia	100%	12 720 021	12 720 021
SIA "TER Properties" reg.No. 40103881878 19 Skunu Street, Riga, LV-1050, Latvia	100%	6 155 000	6 155 000
SIA "RB 25" reg.No. 40203095542 19 Skunu Street, Riga, LV-1050, Latvia	100%	8 200	8 200
SIA "Baltic Re Properties" reg.No. 40203185691 19 Skunu Street, Riga, LV-1050, Latvia	100%	7 800	-
TOTAL:		44 511 372	44 503 572

Changes in the investments

At 31 December 2017	43 678 572
Acquisition of additional shares ¹	825 000
At 31 December 2018	44 503 572
Acquisition ²	7 800
At 31 December 2019	44 511 372

¹ Acquisition of additional shares in SIA "TER Properties"

In the light of improving operative efficiency, with consequent cost savings, in December 2018, additional shares in the subsidiary SIA "TER Properties" were acquired, resulting in an increase in the Company's interest in the subsidiary from 91.11% to 100%.

² 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".



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Dividends from subsidiaries

In 2019 the Company recognised dividends receivable from subsidiaries in the amount of EUR 485 439 (2018: EUR 938 825).

Financial data of investees

	Equity	Total comprehensive income or loss	Equity	Total comprehensive income or loss
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
SIA "KEY 1"	7 353 037	140 523	7 212 514	182 405
SIA "Key 2"	967 515	34 446	933 069	2 283
SIA "KEY 6"	1 510 683	60 070	1 450 613	48 061
SIA "Key 15"	17 259 564	11 240 415	6 098 663	619 149
SIA "Skunu 19"	2 114 364	(150 254)	2 264 618	(88 534)
SIA "TER Properties"	4 487 117	476 142	4 416 901	(96 215)
SIA "RB 25"	(32 573)	(4 708)	(27 865)	(30 521)
SIA "Baltic Re Properties"	3 000	-	-	-
TOTAL:	33 662 707	11 796 634	22 348 513	636 628

Pledged assets

Information on pledged assets is provided in Note 15.



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8. Loans and debts from related companies

Non-current	Interest rate	Maturity	31.12.2019	31.12.2018
<i>Unsecured</i>				
Loan to related company	3.15%	25.10.2032	2 615 614	2 796 208
Loan to related company	3.15%	31.12.2043	1 979 104	1 967 916
Loan to related company	3.15%	25.10.2043	1 762 345	1 894 860
Loan to related company	3.15%	25.09.2024	2 232 614	2 935 800
Loan to related company	3.15%	25.04.2058	3 473 763	3 475 232
Loan to related company	3.15%	31.12.2022	6 165 000	6 150 000
Loan to related company	2.55%	31.12.2022	2 408 000	2 363 000
Loan to legal person	2.55%	31.12.2021	-	13 000
Loan to related company	2.55%	31.12.2020	-	25 000
SUBTOTAL:			20 636 440	21 621 016
<i>Current</i>				
<i>Unsecured</i>				
Loan to related company	3.15%	31.12.2020	187 110	181 315
Loan to related company	3.15%	31.12.2020	55 812	54 083
Loan to related company	3.15%	31.12.2020	64 234	62 245
Loan to related company	3.15%	31.12.2020	673 186	652 338
Loan to related company	3.15%	31.12.2020	47 448	45 979
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%	31.12.2020	3 000	-
Loan to related company	2.55%	31.12.2019	-	21 000
Loan to related company	2.55%	31.12.2019	-	6 000
Loan to related company	2.55%	31.12.2019	-	10 000
Loan to related company	3.15%	31.12.2019	-	30 000
Loan to related company	3.15%	31.12.2019	-	20 000
Dividends receivable from subsidiaries	-	-	11 911 285	11 433 825
Debts from related companies	-	-	-	319 130
SUBTOTAL:			12 997 075	12 835 915
TOTAL:			33 633 515	34 456 931

9. Trade receivables

	31.12.2019	31.12.2018
Trade receivables, carrying amount	1 162 843	443 942
Trade receivables, carrying amount – related companies	332	570
Provision for expected credit losses	(1 021)	(19 934)
TOTAL:	1 162 154	424 578



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Movements in the provision for expected credit losses

	31.12.2019	31.12.2018
Provision for expected credit losses at the beginning of the reporting year	19 934	-
Increase / (decrease) in the allowance for expected credit losses	(18 913)	19 934
TOTAL:	1 021	19 934

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 30.

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

	31.12.2019	31.12.2018
Prepaid expense	141 665	367 902
Security deposit	55 455	33 487
Payments to advance settlement parties	1 671	190
Overpayments of taxes and fees	4	5
Other receivables	14 494	154 000
TOTAL:	213 289	555 584

11. Accrued income

	31.12.2019	31.12.2018
Invoices issued in the next reporting period, but refer to revenue of current reporting period	26 703	6 667
Accrued income – related companies	-	249 303
TOTAL:	26 703	255 970

12. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash at bank, EUR	117 763	11 924
Cash on payment cards, EUR	2 892	5 491
TOTAL:	120 655	17 415



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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 2017	25 000 000	25 000 000
Changes in the reporting year ¹	-	-
Balance as at 31 December 2018	25 000 000	25 000 000
Issue of shares - equity contributions	4 000 000	4 000 000
Balance as at 31 December 2019	29 000 000	29 000 000

¹ In October 2018, at extraordinary shareholders' meeting AS "Baltic RE Group" made decisions on increase of the Company's share capital and on respective amendments to the Company's Statutes. The Company's share capital was increased by EUR 4 000 000 by issuing 4 000 000 of new registered shares with voting rights at a selling price of one share of EUR 1.10. The subscribed share capital of the Company after the completion of the capital increase is EUR 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 2017	-
Changes in the reporting year	400 000
Balance as at 31 December 2018	400 000
Changes in the reporting year	-
Balance as at 31 December 2019	400 000

14. Retained earnings

At 31 December 2017	10 681 812
Profit for the period	500 950
At 31 December 2018	11 182 762
Dividends calculated	11 165 000
Profit for the period	940 657
At 31 December 2019	958 419



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15. Loans, borrowings and payables to related companies

Non-current	Interest rate	Maturity	31.12.2019	31.12.2018
<i>Secured</i>				
Loan from Luminor Bank AS ¹	3% + 3M EURIBOR	21.11.2023	7 014 867	32 670 236
<i>Unsecured</i>				
Loan from related company	2.92%	31.12.2022	12 529 669	-
SUBTOTAL:			19 544 536	32 670 236
Current				
<i>Secured</i>				
Loan from Luminor Bank AS ¹	3% + 3M EURIBOR	31.12.2020	389 715	1 690 364
<i>Unsecured</i>				
Loan from related company for the increase of share capital	-	31.12.2020	545 000	545 000
Accrued interest	-	31.12.2020	58 880	-
Payables to related companies for the purchase of shares	-	31.12.2020	16 234 968	16 273 969
Payables to related company	-	31.12.2019	-	17
SUBTOTAL:			17 228 563	18 509 350
TOTAL:			36 773 099	51 179 586

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 1", 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 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "TER Properties", SIA "BB 21" as assets in aggregate; AS "Baltic RE Group" shares owned in SIA "KEY 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "TER Properties"; SIA "TER Properties" shares owned in SIA "BB 21". Maximum claim amount is EUR 45 890 000.

Guarantees



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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 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "TER Properties", SIA "BB 21" 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.

16. Trade payables

	31.12.2019	31.12.2018
Trade payables	263 152	99 231
Trade payables – related companies	215 255	68 331
TOTAL:	478 407	167 562

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.

17. Taxes payable

	31.12.2019	31.12.2018
Value added tax	19 919	19 227
Statutory social insurance contributions	10 253	13 262
Personal income tax	214 713	8 890
Corporate income tax	3 057	-
TOTAL:	247 942	41 379

18. Other payables

	31.12.2019	31.12.2018
Non-current		
Security deposits	-	95 386
SUBTOTAL:	-	95 386
Current		
Security deposits	219 950	-
Payables for the acquisition of shares in subsidiary	43 200	43 200
Salaries	53 030	40 329
Payments to advance settlement parties	789	16 314
Other payables	2 029	840
SUBTOTAL:	318 998	100 683
TOTAL:	318 998	196 069

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.



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19. Accrued liabilities

	31.12.2019	31.12.2018
Accrued liabilities	784 642	109 611
Accrued liabilities – related companies	2 257	2 351
Accrued liabilities – unused annual leaves	62 621	12 255
TOTAL:	849 520	124 217

Notes to the Statement of Comprehensive Income

20. Revenue

<i>Revenues by business stream</i>	2019	2018
Revenue from real estate lease	738 211	850 917
Revenue from real estate management services and other services	1 078 320	1 067 847
TOTAL:	1 816 531	1 918 764

<i>Revenues by region</i>	2019	2018
Latvia	1 816 531	1 918 764
TOTAL:	1 816 531	1 918 764

21. Cost of sales

	2019	2018
Property management and utilities expenses	287 017	275 951
Personnel expenses	160 743	101 180
Real estate tax on land and buildings	23 665	24 187
Insurance payments	17 870	20 608
Labour protection expenses	1 984	3 093
State and local municipality fees	307	1 100
Other costs	15 689	17 567
TOTAL:	507 275	443 686

22. Depreciation of investment property

	2019	2018
Depreciation of investment property	510 212	506 681
TOTAL:	510 212	506 681



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23. Distribution costs

	2019	2018
Advertising costs	2 759	5 613
Participation in the associations	8 031	1 620
TOTAL:	10 790	7 233

24. Administrative expenses

	2019	2018
Personnel expenses	401 612	350 809
Rental and utilities expenses	108 670	78 758
Business trips expenses	79 592	66 876
Property, plant and equipment depreciation	39 604	28 646
Consulting services	5 339	27 970
Audit of financial statements expenses ¹	18 000	21 540
Representation expenses	33 894	19 493
Bank charges	10 650	12 059
Office expenses	9 217	9 650
Legal services	10 501	8 921
Communication expenses	4 473	3 915
Intangible assets amortisation	-	273
Other expenses	33 315	21 539
TOTAL:	754 867	650 449

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.

25. Other operating income

	2019	2018
Proceeds from sale of investment property	1 443 409	
Received fines and penalties	-	12 116
Other operating income	498	430
TOTAL:	1 443 907	12 546

26. Other operating expense

	2019	2018
Losses from assignment agreements	336 010	-
Bonds payment service expenses	218 208	-
Write-offs of receivables and impairment loss on trade receivables	(18 913)	43 574
Paid fines and penalties	825	367
Other operating expense	19	51 362
TOTAL:	536 149	95 303



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27. Finance income

	2019	2018
Interest income	687 833	719 574
TOTAL:	687 833	719 574

28. Finance costs

	2019	2018
Interest on long-term loan from credit institution	1 112 698	952 461
Bond interest	-	432 946
Interest expense on loans from related companies	56 530	-
TOTAL:	1 169 228	1 385 407

Other Disclosures

29. Staff costs and number of employees

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

	2019	2018
Cost of sales	110 323	101 148
- salaries	89 796	81 624
- statutory social insurance contributions	20 527	19 524
Administrative expenses	401 609	350 786
- salaries	337 247	292 259
- statutory social insurance contributions	64 362	58 527
TOTAL:	511 932	451 934

Compensation of key management personnel of the Company

	2019	2018
Board members		
Salaries	283 151	246 732
Statutory social insurance contributions	52 250	49 077
TOTAL:	335 401	295 809
Council members		
Salaries	14 800	14 276
Statutory social insurance contributions	1 542	1 921
TOTAL:	16 342	16 197

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

During 2019 and 2018 no loans or guarantees were issued to the members of the Board or Council.



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Average number of employees

	2019	2018
Average number of employees during the reporting year	13	12
TOTAL:	13	12

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

30. 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	2019	1 938 251	30 422	11 931 483	16 234 968
	2018	1 690 764	21 004	12 835 915	16 273 986
Other related parties	2019	5 709	849 385	332	11 171 063
	2018	6 474	102 497	570	68 481

Loans to related parties

	31.12.2019	31.12.2018
Subsidiaries	21 722 230	22 690 976
Other related parties	-	13 000
TOTAL:	21 722 230	22 703 976

Loans from related parties

	31.12.2019	31.12.2018
Subsidiaries	12 529 669	-
Other related parties	545 000	545 000
Accrued interest	58 880	-
TOTAL:	13 133 549	545 000



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31. Events after the reporting period

After the end of the financial year, in March 2020, restrictions related to the spread of coronavirus Covid-19 have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is not foreseeable how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company's management constantly evaluates assesses the situation. At present, the Company has not identified any significant impact of the emergency on the Company when assessing the current situation. The Company's management believes that the Company will be able to overcome the emergency situation with an action plan for resolving non-standard situations. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events on the Company's future operations may differ from the management's assessment.

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

Riga, 29 June 2020



Jekaterina Kuzmenko
Accountant