JOINT STOCK COMPANY SAKRET HOLDINGS

UNIFIED REGISTRATION NUMBER 40103251030

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

(10th financial year)

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

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

Riga, 2020

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General information

Name of the Parent Company	SAKRET HOLDINGS
Legal status of the Parent Company	Joint-Stock Company
Unified registration number, place and date of registration	40103251030, Riga, 30 September 2009
Registered office	„Ritvari”, Rumbula, Stopinu region, Latvia, LV-2121
Full name and address of the shareholder as at 31 December 2019 (end of day)	SIA “PĀRVALDĪBAS SISTĒMAS” „Ritvari”, Rumbula, Stopinu region, Latvia, LV-2121
Board Members	Māris Ķelpis, Chairman of the Board Andis Ziedonis, Member of the Board Juris Grīnvalds, Member of the Board
Council Members	Andris Vanags, Chairman of the Council Elīna Salava, Deputy Chairman of the Council (till 14 February 2018) Mārtiņš Biezais, Member of the Council (till 14 February 2018) Valērija Lieģe, Deputy Chairman of the Council (from 14 February 2018) Artis Grinbergs, Member of the Council (from 14 February 2018)
Subsidiaries	SIA SAKRET (100%) Reg. No. 40003622109, „Ritvari”, Rumbula, Stopinu region, LV-2121 SIA SAKRET PLUS (90%) Reg. No. 40003749392, „Ritvari”, Rumbula, Stopinu region, LV-2121 UAB SAKRET LT (100%) Reg. No. 3005988522 Biochemikų g. 2, LT-57234, Kėdainiai, Lithuania OÜ SAKRET (100%) Reg. No. 111961147 Mäo küla, Paide vald, 72751 Järvamaa, Estonia
Financial year	1 January – 31 December 2019
Auditors	Dace Negulinere Latvian Certified Auditor Certificate No 175 SIA Ernst & Young Baltic Muitas 1A, Riga Latvia, LV – 1010 License No 17

Management report

Introduction

AS SAKRET HOLDINGS (Company) is the holding company of the following subsidiaries:

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

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

Performance of the Company

The Company has closed 2019 with a profit of EUR 682,6 thousand including finance income of EUR 1 612,3 thousand of forfeited liabilities from Luminor Bank. In 2019, the share capital of the parent company has increased to EUR 1 050,0 thousand.

Financing overview

On 11 October 2019, the credit liabilities of the Sakret group to AS Luminor Bank were refinanced, thus settling all liabilities with AS Luminor Bank. To this end, the Group attracted funds from AS BlueOrange Banka amounting to EUR 6 000 000 (a non-current loan of EUR 4 000 000, an overdraft of EUR 2 000 000) as well as EUR 3 000 000 of the proceeds from the bond issue. Moreover, AS BlueOrange Banka provided a credit line with a limit of EUR 1 700 000 for financing current assets. The refinancing plan executed by Sakret and AS BlueOrange Banka is expected to form a basis for a long-lasting cooperation.
On 10 September 2019, within the framework of the refinancing process, the share capital of AS SAKRET HOLDINGS was increased from EUR 35 000 up to EUR 1 050 000. As at 31 December 2019 - the share capital consists of 750 000 shares with a par value of EUR 1.40 each. The execution of the transaction led to an additional expense of EUR 683 959.

Planning and development of the Company

Prior to the impact of the COVID-19 crisis, the Group forecasted a modest increase in sales in the upcoming years. At the time of issuing the report, the management anticipates sales volumes in 2020 to be at year 2019 level. These assumptions are based on actual sales at the beginning of the year, which were significantly higher than planned due to the unusually warm winter and assuming that the virus will not reactivate in the autumn season. Taking into account the current forecasts for GDP growth after the end of the crisis in the Baltic States as a whole and in each of counties separately, planned growth in 2021 will be able to compensate what was not achieved during 2020, and ensure targeted and stable growth in the long run

Financial risk management

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

Liquidity risk

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

Interest rate risk
The Company is exposed to interest rate risk through its borrowings from banks and finance lease and factoring liabilities. Following the refinancing, the Company's long-term borrowings have a variable interest rate (6-month EURIBOR). The Company follows EURIBOR forecasts, thus assessing possible changes in floating interest rates (a negative EURIBOR rate is forecast for the next 3 years). A fixed interest rate is applied to short-term financial instruments (credit line, overdrafts).

Profit distribution
It is expected that the profit for the reporting period will be used for further development of the Company.

Statement of Management's Responsibility

The Management Board of AS SAKRET HOLDINGS prepares financial statements for each financial year which give a true and fair view of the AS SAKRET HOLDINGS (hereinafter – the Company) financial position at the end of the respective period, and the financial results and cash flows of the Company for that respective period. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
In preparing those financial statements, the management selects suitable accounting policies and then apply them consistently; makes judgments and estimates that are reasonable and prudent; prepares the financial statements on the going concern basis unless it is inappropriate to presume that the going concern principle may be applied.
The Management Board of AS SAKRET HOLDINGS is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Company and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.

Māris Ķelpis	Andis Ziedonis	Juris Grīnvalds
Chairmen of the board	Member of the Board	Member of the Board

17 July 2020

Financial statements

Statement of Comprehensive Income

	Notes	2019 EUR	2018 EUR
Revenue	4	498 352	527 004
Cost of sales	5	(145 147)	(182 694)
Gross profit		**353 205**	**344 310**
Administrative expense	6	(220 266)	(214 583)
Other operating income		-	7 664
Other operating expense	8	(1 039 673)	(764)
Operating profit		**(906 734)**	**136 627**
Finance income	7	1 612 288	82 679
Finance costs		(22 917)	(85 700)
Profit before corporate income tax		**682 637**	**133 606**
Income tax expense	9	-	(69)
Net profit for the year		**682 637**	**133 537**
Other comprehensive income		-	-
Total comprehensive income:		**682 637**	**133 537**
Basic and diluted earnings per share	10	0,91	5,34

The accompanying notes form an integral part of these financial statements

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

17 July 2020

Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
Property, plant and equipment				
Other fixtures and fittings, tools and equipment		1 021	1 883	1 089
TOTAL	12	**1 021**	**1 883**	**1 089**
Non-current financial assets				
Investments in subsidiaries	13	440 370	440 470	440 470
Loans to related companies	14	3 664 130	2 466 018	2 674 500
TOTAL		**4 104 500**	**2 906 488**	**3 114 970**
TOTAL NON-CURRENT ASSETS		**4 105 521**	**2 908 371**	**3 116 059**
CURRENT ASSETS				
Receivables and prepayments				
Trade receivables	16	1 009 972	69 423	91 072
Prepaid expenses		15 159	8 636	158
Other loans	15	35 572	35 572	35 572
Other receivables	17	563 466	423 002	30 830
TOTAL		**1 624 169**	**536 633**	**157 632**
Cash and cash equivalents		**14 799**	**1 140**	**612**
TOTAL CURRENT ASSETS		**1 638 968**	**537 773**	**158 244**
TOTAL ASSETS		**5 744 489**	**3 446 144**	**3 274 303**

The accompanying notes form an integral part of these financial statements. For more details, see also Note 2.

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

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Statement of financial position

EQUITY AND LIABILITIES

EQUITY	Notes	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
Share capital	18	1 050 000	35 000	35 000
Denomination reserve		572	572	572
Retained earnings/(accumulated deficit)		750 414	616 877	656 070
Profit/loss for the year		682 637	133 537	(39 193)
TOTAL EQUITY		**2 483 623**	**785 986**	**652 449**
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	19	-	-	2 229 178
Other borrowings	20	2 782 555	-	-
TOTAL		**2 782 555**	**-**	**2 229 178**
Current liabilities				
Loans from credit institutions	19	-	2 244 827	93 714
Trade payables	21	202 680	234 465	135 833
Contract liabilities		1 427	-	-
Taxes payable	22	28 697	15 191	5 092
Other liabilities		9 525	11 230	6 739
Accrued liabilities	23	235 982	154 445	151 298
TOTAL		**478 311**	**2 660 158**	**392 676**
TOTAL LIABILITIES		**3 260 866**	**2 660 158**	**2 621 854**
TOTAL EQUITY AND LIABILITIES		**5 744 489**	**3 446 144**	**3 274 303**

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

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Chairman of the Board	Member of the Board, responsible for report preparation	Member of the Board	Chief Accountant, person in charge of the preparation of the annual report

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Statement of cash flows

	Notes	2019 EUR	2018 EUR
Cash flows to/ from operating activities			
Profit before tax		**682 637**	**133 606**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	12	862	604
Impairment of investment in subsidiary	8	1 038 896	-
Finance income		(1 612 288)	(82 679)
Finance costs		22 917	85 700
		133 024	**137 231**
Working capital adjustment:			
(Increase) in trade receivables, contract assets and prepayments		(702 963)	(366 139)
(Decrease)/increase in trade and other payables, contract liabilities		(226 398)	104 152
		(796 337)	**(124 756)**
Interest received		44 797	69 817
Interest paid		(166 251)	(70 051)
Net cash flows from operating activities		**(917 791)**	**(124 990)**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(330)	(1 068)
Loans issued to related companies	14	(3 881 734)	-
Loans repaid from related companies	14	2 454 200	220 300
Investments in subsidiaries		(1 038 796)	-
Net cash flows used in investing activities		**(2 466 660)**	**219 232**
Financing activities			
Investment in stock or share capital (equity capital)	18	1 015 000	-
Proceeds from borrowings	20	3 000 000	-
Repayment of borrowings	7,19	(616 890)	(93 714)
Net cash flows from/(used in) financing activities		**3 398 110**	**(93 714)**
Net increase in cash and cash equivalents		**13 659**	**528**
Cash and cash equivalents at 1 January		**1 140**	**612**
Cash and cash equivalents at 31 December		**14 799**	**1 140**

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

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

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Statement of changes in equity

	Share capital	Denomination reserve	Retained earnings	Total equity
	EUR	EUR	EUR	EUR
As of 1 January 2018	**35 000**	**572**	**616 877**	**652 449**
Profit for the year	-	-	133 537	133 537
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**133 537**	**133 537**
As of 31 December 2018	**35 000**	**572**	**750 414**	**785 986**
Increase of capital	1 015 000	-	-	1 015 000
Profit for the year	-	-	682 637	682 637
Other comprehensive income	-	-	-	-
Total comprehensive income	**1 015 000**	**-**	**682 637**	**1 697 637**
As of 31 December 2019	**1 050 000**	**572**	**1 433 051**	**2 483 623**

For information on transaction with shareholders see Note 18

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

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

17 July 2020

Notes to the financial statements

1. Corporate information

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

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

The financial statements for the year ended 31 December 2019 were approved by a decision of the Company's Board on July 17, 2020. The Company's shareholders have the power to amend the consolidated and separate financial statements after the issue.

2. Summary of significant accounting policies

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

International Accounting Standards (IAS);

International Financial Reporting Standards (IFRS);

Interpretations issued by the International Financial Reporting Interpretations Committee; and

Framework for the Preparation and Presentation of Financial Statements.

These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparatives are reclassified. For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports (Local GAAP). These financial statements for the year ended 31 December 2019 are the first the Company has prepared in accordance to IFRS. Refer to Transition to IFRS in accounting politics for information on how the Company adopted IFRS.

2.1. Basis of preparation

The financial statements present only the financial position of AS SAKRET HOLDINGS as a stand-alone entity; the financial position of companies belonging to the Sakret Group (i.e. AS SAKRET HOLDINGS and its subsidiaries) is presented in a separate set of consolidated financial statements. The financial statements of AS SAKRET HOLDINGS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in acordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports (Local GAAP). These financial statements for the year ended 31 December 2019 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.2 for information on how the Company adopted IFRS. The financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below. The monetary unit used in the financial statements is euro (EUR, the monetary unit of the Republic of Latvia). The financial statements cover the period 1 January 2019 through 31 December 2019.

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

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

Legal address and type of business of the subsidiaries:

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

Standards issued but not yet effective

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

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment is available to lessees only and is effective from 1 June 2020. It can be applied by lessees immediately in any financial statements—interim or annual—not yet authorized for issue. The amendment has not yet been endorsed by the EU. The implementation of these amendments will not have any impact on the financial position or performance of the Company.

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. Management is currently assessing the impact of the implementation of this standard.

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

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

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Standards issued but not yet effective (cont'd)

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The implementation of these amendments will not have any impact on the financial position or performance of the Company.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management is currently assessing the impact of the implementation of this standard.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management is currently assessing the impact of the implementation of this standard.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. Management is currently assessing the impact of the implementation of this standard.

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

2.2. Transition to IFRS

These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports (Local GAAP). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2019, together with the comparative period data for the year ended 31 December 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2018, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2018 and the financial statements for the year ended 31 December 2018.

The Company assessed all contracts existing at 1 January 2018 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2018.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2018. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2018. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Estimates

The estimates at 1 January 2018 and at 31 December, 2018 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Local GAAP did not require estimation:

- Leases
- Trade receivables

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2018, the date of transition to IFRS and as at 31 December 2018.

Company reconciliation of equity as at 1 January 2018 (date of transition to IFRS)

	Notes	Local GAAP	Remeasurements	IFRS as at 1 January 2018
		EUR	EUR	EUR
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment				
Other fixtures and fittings, tools and equipment		1 089		1 089
TOTAL		**1 089**		**1 089**
Non-current financial assets				
Investments in subsidiaries		440 470		440 470
Loans to related companies		2 674 500		2 674 500
TOTAL		**3 114 970**		**3 114 970**
TOTAL NON-CURRENT ASSETS		**3 116 059**		**3 116 059**
CURRENT ASSETS				
Receivables and prepayments				
Trade receivables		91 072		91 072
Prepaid expenses		158		158
Other loans		35 572		35 572
Other receivables		30 830		30 830
TOTAL		**157 632**		**157 632**
Cash and cash equivalents		**612**		**612**
TOTAL CURRENT ASSETS		**158 244**		**158 244**
TOTAL ASSETS		**3 274 303**		**3 274 303**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		35 000		35 000
Denomination reserve		572		572
Retained earnings/(accumulated deficit)		656 070		656 070
Profit for the year		(39 193)		(39 193)
TOTAL		**652 449**		**652 449**
LIABILITIES				
Non-current liabilities				
Loans from credit institutions		2 229 178		2 229 178
TOTAL		**2 229 178**		**2 229 178**
Current liabilities				
Loans from credit institutions		93 714		93 714
Trade payables		135 833		135 833
Taxes payable		5 092		5 092
Other liabilities		6 739		6 739
Accrued liabilities		151 298		151 298
TOTAL		**392 676**		**392 676**
TOTAL LIABILITIES		**2 621 854**		**2 621 854**
TOTAL EQUITY AND LIABILITIES		**3 274 303**		**3 274 303**

Company reconciliation of equity as at 31 December 2018

	Notes	Local GAAP	Remeasurements	IFRS as at 31 December 2018
		EUR	EUR	EUR
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment				
Other fixtures and fittings, tools and equipment		1 883		1 883
TOTAL		**1 883**		**1 883**
Non-current financial assets				
Investments in subsidiaries		440 470		440 470
Loans to related companies	A	2 454 200	11 818	2 466 018
TOTAL		**2 894 670**		**2 906 488**
TOTAL NON-CURRENT ASSETS		**2 896 553**		**2 908 371**
CURRENT ASSETS				
Receivables and prepayments				
Trade receivables		69 423		69 423
Prepaid expenses		8 636		8 636
Other loans		35 572		35 572
Other receivables		423 002		423 002
TOTAL		**536 633**		**536 633**
Cash and cash equivalents		**1 140**		**1 140**
TOTAL CURRENT ASSETS		**537 773**		**537 773**
TOTAL ASSETS		**3 434 326**		**3 446 144**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		35 000		35 000
Denomination reserve		572		572
Retained earnings/(accumulated deficit)		616 877		616 877
Profit for the year	A	137 368	(3 831)	133 537
		789 817		**785 986**
TOTAL LIABILITIES				
Current liabilities				
Loans from credit institutions	A	2 229 178	15 649	2 244 827
Trade payables		234 465		234 465
Taxes payable		15 191		15 191
Other liabilities		11 230		11 230
Accrued liabilities		154 445		154 445
TOTAL		**2 644 509**		**2 660 158**
TOTAL LIABILITIES		**2 644 509**		**2 660 158**
TOTAL EQUITY AND LIABILITIES		**3 434 326**		**3 446 144**

Company reconciliation of total comprehensive income for the year ended 31 December 2018

	Notes	Local GAAP EUR	Remeasurements EUR	IFRS for the year ended 31 December 2018 EUR
Revenue		**527 004**		**527 004**
Cost of sales		(182 694)		(182 694)
Gross profit		**344 310**		**344 310**
Distribution costs		-		-
Administrative expense		(214 583)		(214 583)
Other operating income		7 664		7 664
Other operating expense		(764)		(764)
Operating profit		**136 627**		**136 627**
Finance income		70 861	11 818	82 679
Finance cost	A	(70 051)	(15 649)	(85 700)
Profit before tax		**137 437**		**133 606**
Income tax expense		(69)		(69)
Profit for the year		**137 368**		**133 537**
Other comprehensive income		0		0
Total comprehensive income		**137 368**	**(3 831)**	**133 537**

Notes to the reconciliation of equity as at 1 January 2018 and 31 December 2018 and total comprehensive income for the year ended 31 December 2018:

A – Loans from credit institutions and other borrowings

Under Local GAAP, it is not necessary to discount estimated future cash flows through the expected life of the financial liability to the amortised cost of financial liability. Under IFRS 9 effective interest method has to be applied. It is used in the calculation of the amortised cost of a financial lliability and in the allocation and recognition of the interest expense in profit and loss statement over the relevant period. When calculating the effective interest rate, Company estimated the expected cash flows by considering all the contractual terms of the financial instrument.

2.3. Foreign currency translation

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

Non-financial assets and liabilities

2.4. Property, plant and equipment

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

- Other fixtures and fitting, tools and equipment 10% -50%

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

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

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

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

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

Estimates concerning property, plant and equipment

Useful lives of property, plant and equipment
The Company makes estimates concerning the useful lives and residual values of property, plant and equipment. These estimates are reviewed at the end of each reporting period and are based on the past experience and industry practice. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates.

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

2.5. Grants

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

Government grants are recognized as income on a systematic basis over the period when the Company expense the costs that the grants compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognized as income of the period in which it becomes receivable.

2.6. Recognition and measurement of provisions

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

Financial assets and liabilities

2.7. 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 usiness model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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

Initial recognition and measurement (cont'd)

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

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

Subsequent measurement

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

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

The Company classifies financial assets as follows:

- financial assets at amortized cost;

- equity investments at fair value through other comprehensive income (FVTOCI);

- financial assets at fair value through profit or loss (FVTPL),

- debt investments at fair value through other comprehensive income (FVTOCI).

Financial assets at amortized cost

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

Derecognition

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

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

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

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

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

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

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

2.8. 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.

Initial recognition and measurement (cont’d’)

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

The Company classifies financial liabilities as follows:

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

Financial liabilities at amortized cost

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

Derecognition

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

Offsetting of financial instruments

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

2.9. Impairment of financial instruments

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

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

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

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

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

2.10. Cash and cash equivalents

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

2.11. Receivables

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

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

2.12. Revenue from contracts with customers

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

Procurement services

The Company has contracts with subsidiaries to acquire, on their behalf, raw materials and other necessary goods for production. Under these contracts, the Company provides procurement services (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported equipment). The Company does not have control of the equipment before it is being transferred to the customer. The Company is acting as an agent and recognises revenue at the net amount that is retained for these arrangements. Revenue is recognised at a point in time (i.e., upon receipt of the customer of the equipment) because this is when the customer benefits from the Company's procurement services.

2.13. Fair value measurement

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

• In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

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

2.14. Contingencies

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

2.15. Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

2.15. Subsequent measurement (cont'd)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.16. Taxes

2.16.1. Current corporate income tax

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

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

2.16.2. Value added tax

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

- When value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable,

- When receivables and payables are stated with the amount of value added tax included.

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

2.17. Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Parent Company are shareholders who could control or who have significant influence over the Parent Company in accepting operating business decisions, key management personnel of the Parent Company and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence. Related parties of the Company include subsidiaries.

2.18. Subsequent events

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

3. Significant accounting judgments, estimates and assumptions

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

3.1. Going concern

The Company has closed year 2019 with a profit of EUR 682,6 thousand including finance income of EUR 1 612,3 thousand of forfeited liabilities from Luminor Bank. In 2019, the share capital of the parent company was increased to EUR 1 050,0 thousand.

In 2019, credit liabilities to AS Luminor Bank were refinanced, thus cancelling all liabilities to AS Luminor Bank. For its implementation, Company’s subsidaries have attracted funds from AS BlueOrange Banka in the amount of EUR 6mil (EUR 4mil loan, EUR 2mil overdrafts) and funds from the bond issue of AS SAKRET HOLDINGS in the amount of EUR 3mil. Additionally, a credit line with a limit of EUR 1,7mil was received from AS BlueOrange to finance current assets. Refinancing plan executed by the Sakret & BlueOrange is planned as long-lasting cooperation. Extension of both overdraft and credit line terms is planned until 2023 to finance current assets, their current terms are currently August 22, 2020 and February 22, 2021, respectively. The Bank has confirmed readiness to prolong these agreements at least until 2023 if the covenants will be met during this period.

At the end of the reporting period Company current assets exceeded current liabilities by EUR 1 160,7 thousand. Going concern ability of the Company is dependent on overall performance of the Group.

To ensure liquidity, the Group plans to divert the positive cash flow of 2020 from economic activities. In 2020, EBITDA is planned in the amount of 2,4mil EUR, of which 1,9mil EUR is planned to be used for loan servicing.

After the end of the financial year, in March 2020, restrictions related to the spread of COVID-19 have entered into force in the Republic of Latvia and many other countries, which significantly reduce economic development in Latvia and the world. It is not expected how the situation will develop in the future, and therefore there is uncertainty about economic development. The company's management monitors the situation and assesses potential risks. In order to be able to ensure the Company's economic activity, after risk assessment, measures related to the state of emergency in the country have been introduced - work is performed remotely, factory and office work is provided in accordance with the strictest security measures, attention is paid to raw material supply logistics, process continuity, sales organization, increased attention is paid to customer solvency. Although customers do not represent industries that have been suspended under COVID-19, their activities may be disrupted due to national restrictions.

The Company continues to perform its management functions over the subsidiaries and the Group continues to serve the existing customers and acquiring new customers No significant changes occur to either in the business environment of the market both in the EU and Latvia, except for the emergency situation due to COVID-19 virus spread estimated effects on the Group key financial indicators.

Overall, as of date of signing these financial statements the Group is slightly below the initial budget, and themanagement has made an assessment of possible negative impact of COVID-19. The management believes that maximum decrease of revenue in 2020 could be up to 20%. In order to ensure sufficient liquidity in case of this scenario, the Group’s management has received confirmation from Blue Orange Bank that Group and Company could utilize principal payment and interest payment holidays for the existing loan principal amounts. The management has verified that could utilize the opportunities of the government support to Sakret Group to improve liquidity situation during the COVID-19 virus spread extraordinary situation, if necessary. The Group’s management has secured a working capital loan within the framework of state aid program in amount up to EUR 1 million, which will be available in case of necessity.

Additionally, as stated in the subsequent event paragraph, Group has increased available overdraft for EUR 400 thousand to ensure additional financing for its increased production capacity due to active season.

The activities of the Group and the Company are 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 current assessment.

The Group and the Company top priority is safety and security of its employees and continuation of the operations during COVID-19 emergency situation period. As per report preparation date among company employees there are no infection cases. All business units operate at the available capacity.

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

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

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

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

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

3.3. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. An impairment test is performed on a CGU if one of the indications in IAS 36.12 is detected. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (See Note 13).

4. Revenue from contracts with customers

Type of service		2019	2018
Management and financial control services		441 346	445 300
Product development		57 006	81 704
	TOTAL:	**498 352**	**527 004**

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

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

5. Cost of Sales

		2019	2018
Remuneration for work (Note 11)		90 989	102 100
Mandatory state social security contributions and entrepreneurial Risk duty (Note 11)		21 941	24 625
Depreciation expenses (Note 12)		862	604
Short-term leases		524	2 952
Other expenses		30 831	52 413
	TOTAL:	**145 147**	**182 694**

6. Administrative expense

		2019	2018
Remuneration for work (Note 11)		78 791	75 258
Business consulting services		37 545	74 850
Legal services		33 871	25 195
Mandatory state social security contributions and entrepreneurial Risk duty (Note 11)		19 012	18 165
Other expenses		51 047	21 115
	TOTAL:	**220 266**	**214 583**

7. Finance income

		2019	2018
Long-term creditor adjustment (Note 19)		1 612 288	-
Other finance income		-	82 679
	TOTAL:	**1 612 288**	**82 679**

In 2019, the Sakret Group has successfully settled its liabilities to Luminor Bank AS. The Company has partially repaid credit liabilities to Luminor Bank AS, and the other part of liabilities was forfeited by Luminor Bank AS. As a result of forfeited liabilities, Company's profit for the reporting year has increased by EUR 1 612 288. See Note 19.

8. Other operating expense

		2019	2018
Impairment of investment in a subsidiary (Note 13)		1 038 895	-
Other operating expenses		778	764
	TOTAL:	**1 039 673**	**764**

Taking into account the negative equity of UAB Sakret LT, Management believes that investment in subsidiary UAB Sakret LT is fully impaired and its carrying amount as at 31 December 2019 is 0. In 2020 Management plans to increase share capital of UAB Sakret LT by EUR 3 581 483 (Note 13).

9. Income tax expense

Current and deferred corporate income tax

	2019	2018
Current corporate income tax charge for the reporting year*	-	(69)
Deferred corporate income tax due to changes in temporary differences	-	-
Corporate income tax charged to the statement of comprehensive income:	**-**	**(69)**

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

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

10. Earnings per share

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

	2019 EUR	**2018 EUR**
Net profit attributable to shareholders of the parent	682 637	133 537
Weighted average number of shares	750 000	25 000
Earnings per share (EUR):	0,91	5,34

11. Staff costs and number of employees

	2019	2018
Remuneration for work	169 608	177 358
Mandatory state social security contributions and entrepreneurial Risk duty	40 238	42 790
Changes in vacation pay reserve	888	-
TOTAL:	**210 734**	**220 148**

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

	2019	2018
Cost of sales	112 930	126 725
Administrative expense	97 804	93 423
TOTAL:	**210 734**	**220 148**

Key management personnel compensation:

Council Members	2019	2018
Remuneration for work	60 000	56 050
Mandatory state social security contributions and entrepreneurial Risk duty	14 467	13 515
TOTAL:	**74 467**	**69 565**

Board Members	2019	2018
Remuneration for work	10 963	14 180
Mandatory state social security contributions and entrepreneurial Risk duty	2 654	3 429
TOTAL:	**13 617**	**17 609**

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

12. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	TOTAL
Cost		
At 1 January 2018	**1 188**	**1 188**
Additions	1 398	1 398
At 31 December 2018	**2 586**	**2 586**
At 31 December 2019	**2 586**	**2 586**
Depreciation and impairment		
At 1 January 2018	**99**	**99**
Depreciation charge for the year	604	604
At 31 December 2018	**703**	**703**
Depreciation charge for the year	862	862
At 31 December 2019	**1 565**	**1 565**
Closing net carrying amount		-
At 1 January 2018	**1 089**	**1 089**
At 31 December 2018	**1 883**	**1 883**
At 31 December 2019	**1 021**	**1 021**

Pledges and other encumbrances on property

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

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

Depreciation

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

	2019 EUR	2018 EUR
Cost of sales (Note 5)	862	604
TOTAL:	**862**	**604**

13. Investments in subsidiaries

Company	Proportion of equity interest held			Investment		
	31/12/2019 %	31/12/2018 %	01/01/2018 %	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
SIA SAKRET	100%	100%	100%	142	142	142
SIA SAKRET PLUS	90%	90%	90%	128	128	128
UAB SAKRET LT	100%	100%	100%	Cost: 1 038 895 Impairment: (1 038 895) Net: 0	100	100
OU SAKRET	100%	100%	100%	440 100	440 100	440 100
			TOTAL	**440 370**	**440 470**	**440 470**

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

As at 31 December 2019, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Each subsidiary is considered by management as a separate CGU. Based on that, it was decided to perform an impairment test for the subsidiary UAB Sakret LT. Following the impairment test, the recoverable amount is less than the carrying amount of CGU. The main aspects of testing are described below.

The recoverable amount of CGU was estimated with reference to the value in use calculations. These calculations take into account the forecasts of financial performance results prepared by the management for the period of five years. Continuous cash flow is estimated using the discounted cash flow in the fifth year. The management estimated the projected operating profit in view of historical data, forecasts of market position. Key assumptions used in performing the impairment test as at 31 December 2019 were as follows:

1. The value in use was estimated with reference to the most up-to-date budget for the year 2020 and the management's forecast covering the period 2021-2024, the projected post-tax discounted cash flows using a post-tax weighted average capital cost (WACC) of 12%. The WACC was estimated with reference to risk-free borrowing cost, the risk premium for the equity and the relative risk rate for the sector, calculated using publicly available market data and based on the terms and conditions of the new credit agreements.
2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. Basically, the approved company's and its subsidiaries 2020 budget has been used. Development for the period until 2024 is projected to be moderate with an increase of 3% annually in domestic markets (Estonia, Latvia and Lithuania). Taking into account the full load of the Latvian plant, in 2020 it is planned (budgeted) to use the spare capacity of the Lithuania plant, (Sakret LT UAB) doubling the production volume for the Latvian market, compared to 2019. In the period until 2024, projected an increase in Lithuania production by 5 times the volume of exports to Latvia. The calculations take into account the effects of inflation on both revenue and cost components. A more significant impact of growth is expected on wage costs, which are projected to increase by 7% annually.

As part of the refinancing process the Company has made a cash contribution of EUR 1 038 795 in UAB Sakret LT. Based on the impairment test performed, Company's management believes that investment in subsidiary UAB Sakret LT is fully impaired and its carrying amount as at 31 December 2019 is 0.

As at 31 December 2018, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Each subsidiary is considered by management as a separate CGU. On this basis, it was decided not to carry out an impairment test for subsidiaries. AS SAKRET HOLDINGS provided a letter of financial support dated 15 April 2020 to the extent that is required for the Company to meet its financial obligations as they fall due. Taking into account the negative equity of UAB Sakret LT AS Sakret holdings plans to increase share capital of UAB Sakret LT by EUR 3 581 483 in 2020.

13. Investments in subsidiar ies (cont'd)

Legal address and type of business of the subsidiaries:

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

Company financial information:

Company	Equity 31/12/2019 EUR	Equity 31/12/2018 EUR	Equity 01/01/2018 EUR	Net profit 31/12/2019 EUR	Net profit 31/12/2018 EUR
SIA SAKRET	1 785 118	(1 005 107)	(1 055 958)	2 790 225	50 851
SIA SAKRET PLUS	2 042 954	1 949 289	1 774 496	93 665	174 793
UAB SAKRET LT	(6 041 828)	(6 317 744)	(6 059 551)	(762 879)	(258 193)
OU SAKRET	1 511 789	(2 916 866)	(3 145 878)	4 428 658	229 012
TOTAL	**(701 967)**	**(8 290 428)**	**(8 486 891)**	**6 549 669**	**196 463**

14. Loans to related companies

Non-current:	Agreement No. and currency	Interest rate (%) (%)	Maturity	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
SIA SAKRET	Nr. FC/13-001, EUR	3 month Euribor + 7%	31.12.2020	-	2 466 018	2 674 500
SIA SAKRET	Nr. FC/19-001, EUR	9%	31.08.2023	927 518	-	-
OU SAKRET	Nr. FC/19-002, EUR	9%	31.08.2023	927 518	-	-
UAB SAKRET LT	Nr. FC/19-003, EUR	9%	31.08.2023	927 518	-	-
UAB SAKRET LT	Nr. FC/19-004, EUR	6 month Euribor + 7%	31.08.2023	881 576	-	-
			TOTAL	**3 664 130**	**2 466 018**	**2 674 500**

As of 31 December 2019 loan No. FC / 13-001 was completely repaid. New loan agreements No.FC / 19-001, FC / 19-002, FC / 19-003, FC / 19-004 have been concluded on 11 October 2019 with maturity date on 31 August 2023. The new loan has been granted to subsidaries to settle their credit liabilities against Luminor Bank AS in accordance with the AGREEMENT No. of 23 August 2019. DK-068109-01. The currency of the loan is EURO, loans are unsecured.

Management has assessed recoverability of loans to related parties and believes that there are no impairment indicators and all loans are fully recoverable.

15. Other loans

Current:	Agreement No. and currency	Interest rate (%)	Maturity	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
„Māris un Partneri" SIA	Nr.1, EUR	3.5%	31.12.2020	35 572	35 572	35 572
			TOTAL	**35 572**	**35 572**	**35 572**

The currency of the loan is EURO, loan is unsecured.

16. Trade receivables

	31/12/2019	31/12/2018	01/01/2018
SIA SAKRET PLUS	7 898	35 610	68 170
OU SAKRET	260 433	13 500	13 500
SIA SAKRET	235 514	11 813	9 402
UAB SAKRET LT	506 127	8 500	-
TOTAL:	**1 009 972**	**69 423**	**91 072**

17. Other receivables

	31/12/2019	31/12/2018	01/01/2018
Transfer pricing correction*			
SIA SAKRET	36 508		
OU SAKRET	224 886	204 445	-
UAB SAKRET LT	221 878	189 941	-
Interest			
SIA SAKRET	24 621	5 619	6 093
OU SAKRET	15 782	-	-
UAB SAKRET LT	29 658	-	-
Taxes (See Note 22)	-	13 114	12 910
Other	10 133	9 883	11 827
TOTAL:	**563 466**	**423 002**	**30 830**

According to the Law on Taxes and Duties, transactions of related parties must be carried out at market value. When evaluating related party transactions in 2018 and 2019, by selecting comparable data to justify the prices applied within the group, a transaction adjustment was made in 2020, which relates to the 2019 financial year, and in 2019, which relates to the 2018 financial year.

18. Share capital

As at 31 December 2019, the registered and fully paid share capital of the Company was EUR 1 050 000 (31 December 2018: EUR 35 000; 1 January 2018: EUR 35 000). Share capital consists of 750 000 shares with a nominal value of EUR 1,4 (2018 1,4) per share. As a result of introduction of EUR and denomination in 2014, the share capital decrease of EUR 572 is reflected in the Company's share capital under "Denomination reserve" item.

	31/12/2019	31/12/2018	01/01/2018
Share capital	1 050 000	35 000	35 000
TOTAL:	**1 050 000**	**35 000**	**35 000**

In the process of refinancing the share capital of AS SAKRET HOLDINGS was increased to EUR 1 050 000 by cash contribution.
Dividends paid in 2019 and 2018 were 0 EUR
The Board of the Company recommends directing the profit for the reporting year to the further development of the Company.

19. Loans from credit intitutions

Non-current:	Interest rate (%)	Maturity	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
AS Luminor Bank (loan)	3 month Euribor+6%*	11.10.2019	-	-	2 229 178
		TOTAL	**-**	**-**	**2 229 178**

Current:	Interest rate (%)	Maturity	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
AS Luminor Bank (loan)	3 month. Euribor+6%*	11.10.2019	-	2 244 827	93 714
		TOTAL	**-**	**2 244 827**	**93 714**

*The loan and accrued interest in favor of AS Luminor Bank were repaid in full on 11 October 2019.
Loan agreements with AS BlueOrange Bank include a number of obligatory conditions and duties to submit a quarterly report to the bank. On 31 December 2019, the Company had fulfilled all financial regulations. As part of the refinancing process, the share capital of AS Saket Holdings was increased to EUR 1 050 000 (31.12.2018: EUR 35 000). Share capital consists of 750 000 shared with a nominal value of EUR 1.40 per share. All shares of the Company's share capital and property pledged in favour of the bank serve as borrowings security for the Sakret Group's loan from AS BlueOrange Bank and as collateral for bonds. The loan is issued to finance long-term investments, the credit line - to finance current assets.

20. Other borrowings

Non-current:	Agreement No. and currency	Interest rate (%)	Maturity	31/12/2019 EUR	31/12/2018 EUR	01/01/2018 EUR
Bond	Terms of the notes issue, EUR	9%	30.08.2024.	2 782 555	-	-
			Total	**2 782 555**	**-**	**-**

During 2019, the loan liabilities of Sakret Group companies to AS Luminor Bank were refinanced, thus canceling all liabilities to AS Luminor Bank. For this purpose, the Group attracted financing from AS BlueOrange Bank in the amount of EUR 6 million (EUR 4 million long-term loan, EUR 2 million overdrafts), as well as a bond issue in the amount of EUR 3 million. In addition, AS BlueOrange Bank has granted a credit line with a limit of EUR 1.7 million to finance the Group's working capital. The refinancing plan implemented by Sakret and AS BlueOrange Bank serves as a basis for long-term cooperation. In August 2019, the Company registered a bond issue in the amount of EUR 3 790 000 with the Latvian Central Depository and starting from 2nd March 2020 bonds have been included in Nasdaq Riga Baltijas *First North* list.The bond issue is secured by shares and assets of the Company and its subsidiaries. The bonds are issued at nominal value of EUR 1000, their maturity is five years.

21. Trade payables

	31/12/2019	31/12/2018	01/01/2018
Trade payables	63 325	32 033	13 906
TOTAL:	**63 325**	**32 033**	**13 906**

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

Trade payables to related parties

	31/12/2019	31/12/2018	01/01/2018
SIA SAKRET	133 194	202 432	120 740
OU SAKRET	3 874	-	-
SIA SAKRET PLUS	2 287	-	-
UAB SAKRET LT	-	-	1 187
TOTAL:	**139 355**	**202 432**	**121 927**

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

22. Taxes and state social insurance mandatory contribution

	31.12.2019	31.12.2018.
State social insuarance mandatory contribution	10 248	9 660
Personal income tax	8 753	5 526
Corporate income tax	-	(6 384)
Value added tax	9 687	(6 730)
Business risk state fee	9	5
Total:	**28 697**	**2 077**
Including credit	**28 697**	**15 191**
Debit (See Note 17)	**-**	**(13 114)**

23. Accrued liabilities

	31/12/ 2019	31/12/2018	01/01/2018
Transfer pricing correction*	185 237	125 382	-
Expenses for which invoices have been received in the next financial year	41 607	20 816	149 007
Accrual for unused vacations	9 138	8 247	2 291
Total accrued liabilities	**235 982**	**154 445**	**151 298**

* According to the Law on Taxes and Duties, transactions of related parties must be carried out at market value. When evaluating related party transactions in 2018 and 2019, by selecting comparable data to justify the prices applied within the group, a transaction adjustment was made in 2020, which relates to the 2019 financial year, and in 2019, which relates to the 2018 financial year.

24. Related party disclosures

The Company is controlled by PĀRVALDĪBAS SISTĒMAS SIA, which owns 100% of the AS SAKRET HOLDINGS shares.

Subsidiaries		Sales to related parties*	Purchases from related parties*	Amounts owed by related parties as at December 31st	Amounts owed to related parties as at December 31st
	2019	**1 158 874**	**33 732**	**1 009 972**	**139 355**
SIA SAKRET (100%)		266 974	24 154	235 514	133 194
SIA SAKRET PLUS (90%)		5 027	1 890	7 898	2 287
OU SAKRET (100%)		385 433	3 875	260 433	3 874
UAB SAKRET LT (100%)		501 440	3 813	506 127	-
	2018	**259 874**	**179 335**	**69 423**	**202 432**
SIA SAKRET (100%)		103 874	100 799	11 813	202 432
SIA SAKRET PLUS (90%)		36 000	12 285	35 610	-
OU SAKRET (100%)		54 000	38 563	13 500	-
UAB SAKRET LT (100%)		66 000	27 688	8 500	-
	2017	**-**	**-**	**91 072**	**121 927**
SIA SAKRET (100%)		-	-	9 402	80 465
SIA SAKRET PLUS (90%)		-	-	68 170	40 275
OU SAKRET (100%)		-	-	13 500	-
UAB SAKRET LT (100%)		-	-	-	1 187
	TOTAL for 2019:	**1 158 874**	**33 732**	**1 009 972**	**139 355**
	TOTAL for 2018:	**259 874**	**179 335**	**69 423**	**202 432**
	TOTAL for 2017:	**-**	**-**	**91 072**	**121 927**

24. Related party disclosures (cont'd)

Subsidiaries		Calculated interest	Amounts owed by related parties as at December 31st *	Loan receivables owed by related parties as at December 31st
	2019	**107 049**	**70 061**	**3 881 734**
SIA SAKRET (100%)		61 599	24 611	1 000 000
OU SAKRET (100%)		15 792	15 792	1 000 000
UAB SAKRET LT (100%)		29 658	29 658	1 881 734
	2018	**69 616**	**5 619**	**2 454 200**
SIA SAKRET (100%)		69 616	5 619	2 454 200
	2017	**-**	**6 093**	**2 674 500**
SIA SAKRET (100%)		-	6 093	2 674 500
	TOTAL for 2019:	**107 049**	**70 061**	**3 881 734**
	TOTAL for 2018:	**69 616**	**5 619**	**2 454 200**
	TOTAL for 2017:	**-**	**6 093**	**2 674 500**

* Outstanding balances as at the year end are unsecured.

25. Financial risk management

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

Interest rate risk

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

The Company is exposed to interest rate risk mainly through its current and non-current borrowings. The interest rate payable on the Company's borrowings is disclosed in Note 19.

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

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

Year	EURIBOR	Effect on profit before tax, EUR
2019	+0.5%	-
2018		(11 146)
2019	+1.0%	-
2018		(22 292)
2019	-0.5%*	-
2018		-

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

The impact of the change in interest rate on the profit is calculated by multiplying all liability balances (including maximum credit line limits) as at 31 December by the respective change in the interest rate. The calculation method provides a more accurate reflection of the risk associated with future interest rate fluctuations using the maximum balances of financial liabilities on the last day of the reporting period.

Liquidity risk

The Company's liquidity and cash flow risk management objective is to maintain an adequate amount of cash and cash equivalents and the availability of non-current borrowings through access to sufficient credit amounts to meet the existing and expected liabilities. The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans.

Liquidity analysis (contractual undiscounted cash flows)

	31/12/2019 EUR	**31/12/2018** EUR	**01/01/2018** EUR
Loans from credit institution		2 229 178	2 322 892
Other borrowings	3 000 000	-	-
Trade payables	63 325	32 033	13 906
Payables to related companies	139 355	202 432	121 927
Total	**3 202 680**	**2 463 643**	**2 458 725**

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

Year ended 31 December 2019	**On demand** EUR	**Less than 3 months** EUR	**3 to 12 months** EUR	**1 to 5 years** EUR	**> 5 years** EUR	**TOTAL** EUR
Other borrowings	-	-	-	3 790 000	-	3 790 000
Trade payables	-	63 325	-	-	-	63 325
Payables to related companies		139 355	-	-	-	139 355
Total	**-**	**202 680**	**-**	**3 790 000**	**-**	**3 992 680**

Liquidity analysis (contractual undiscounted cash flows cont'd)

Year ended 31 December 2018	**On demand** EUR	**Less than 3 months** EUR	**3 to 12 months** EUR	**1 to 5 Years** EUR	**> 5 years** EUR	**TOTAL** EUR
Loans from credit institutions	-	-	2 229 178	-	-	2 229 178
Trade payables	-	32 033	-	-	-	32 033
Payables to related companies	-	202 432	-	-	-	202 432
Total	**-**	**234 465**	**2 229 178**	**-**	**-**	**2 463 643**

Year ended 1 January 2018	**On demand** EUR	**Less than 3 months** EUR	**3 to 12 months** EUR	**1 to 5 years** EUR	**> 5 years** EUR	**TOTAL** EUR
Loans from credit institutions	-	-	93 714	2 229 178	-	2 322 892
Trade payables	-	13 906	-	-	-	13 906
Payables to related companies	-	121 927	-	-	-	121 927
Total	**-**	**135 833**	**93 714**	**2 229 178**	**-**	**2 458 725**

26. Fair value measurement

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

Fair value hierarchy:

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

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

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

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

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

2019			**Fair value measurement using**		
	Carrying amount	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed:					
Loans to related companies	3 664 130	3 664 130	-		3 664 130
Other loan	35 572	35 572	-		35 572

2018			**Fair value measurement using**		
	Carrying amount	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed:					
Loans to related companies	2 466 018	2 466 018	-		2 466 018
Other loan	35 572	35 572	-		35 572

2019			**Fair value measurement using**		
	Carrying amount	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities for which fair values are disclosed:					
Loans					
Other borrowings	2 782 555	2 782 555	-	2 782 555	-

2018			**Fair value measurement using**		
	Carrying amount	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities for which fair values are disclosed:					
Loans from credit intitutions	2 244 827	2 244 827	-	2 244 827	-

27. Events after reporting date

Subsequent to the year end, in the Republic of Latvia as well as in many other countries in March 2020 there came into effect restrictions to limit the coronavirus spread leading to a considerable economic slowdown in Latvia and all over the world. Further events cannot be predicted, therefore, there is uncertainty as to the economic development. The Company's management is constantly monitoring the situation. In order to maximize business operations and budget execution, several measures were implemented after assessing the potential risks: as far as possible, work is performed remotely, factory and office staff work under the strictest security conditions, attention is paid to raw material supply logistics, process continuity as well as sales organization. Although customers and suppliers do not represent industries that have been largely influenced by COVID-19, they may be influenced due to restrictions imposed in the country or the consequences thereof. Management believes that the Company will be able to overcome the emergency situation. The Company pays increased attention to the solvency of its customers. 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 management's assessment.

Therefore, after assessing all the above risks and the uncertainty of the economic situation, the management of the Sakret Group decided to use the support offered by the Latvian government to improve liquidity during the emergency situation related to the spread of COVID-19. AS SAKRET HOLDINGS subsidiary SIA SAKRET, unified registration No. 40003622109 in accordance with the set criteria got the opportunity to obtain additional working capital financing of EUR 1 million from AS "Attīstības finanšu institūcija Altum", unified registration No. 50103744891. The granted additional working capital financing will be available until December 18, 2020, and SIA SAKRET will decide on its use, considering the development of the situation and the actual circumstances.

On March 27, 2020, amendments were made to SIA Sakret's overdraft agreement No.OJ-51/2019 of August 23, 2019, which envisages increasing the limit by EUR 400,000 to EUR 1,400,000 for financing the Group's current assets during the season. The increase of the limit will be gradually reduced to EUR 1,000,000 in the period from September 1, 2020 to December 1, 2020. Negotiations with AS BlueOrange Bank on attracting additional financing for the provision of working capital were started in December 2019 and are not related to the spread of the coronavirus COVID-19.

The management of the Company made a decision and on 3rd of July, 2020 the rules for share capital increase of UAB Sakret LT have been approved. The rules regulate the issue of new 123 670 shares with a nominal value of 28,96 EUR for one share. After the share capital increase the share capital of UAB Sakret LT is 6 050 033,60 EUR, and it consists of 208 910 shares. Increase of share capital did not result in changes in shareholding in UAB Sakret LT. Share capital was increase by making a cash investment in the amount of 1 699 749 EUR and by offsetting with Sakret LT UAB in the amount of 1 881 734 EUR, thus as at 3 July, 2020 the liabilities of UAB Sakret LT to the Company are 0.

After the end of the financial year, by the decision of the Group, a review of the useful lives of property, plant and equipment was performed, during which the depreciation rates of these assets were assessed and adjusted, and the valuation results are reflected in the property, plant and equipment accounting.

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

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

17 July 2020

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

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

ERNST & YOUNG BALTIC SIA
Licence No. 17

Iveta Vimba
Member of the Board

Riga, 17 July 2020

Dace Negulinere
Latvian Certified Auditor
Certificate No. 175