2020

LIMITED LIABILITY COMPANY IGNITIS LATVIJA SIA ANNUAL REPORT

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2020 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION AND INDEPENDENT AUDITOR'S REPORT

www.ignitis.lv

SIA Ignitis Latvija
Cēsu str. 31 k-3, Riga, Latvia, LV-1012
E-mail info@ignitis.lv
Company registration code 40103642991

CONTENTS

ANNUAL REPORT

Information on the Company	3
Independent auditor's report	4 – 6
Statement of Management's responsibility	7
Management report	8 - 10
Financial statements:	
Statement of financial position	11
Statement of profit or loss and comprehensive income	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 – 32

INFORMATION ON THE COMPANY

Name of the Company	Ignitis Latvija SIA
Legal status of the Company	Limited liability company
Registration No, place and date	40103642991 Riga, 28 February 2013
Address	Cēsu iela 31 k-3, Rīga, Latvia, LV-1012
Shareholder	Ignitis UAB (100%)
Board	Kristaps Muzikants – Member of the Management Board (from 24.10.20219)
Supervisory board	Darius Montvila – Chairperson of the Supervisory Board (from 24.10.2019.) Simona Grinevičiene – Member of the Supervisory Board (from 24.10.2019.) Artūras Bortkevičius – Member of the Supervisory Board (from 24.10.2019.)
Reporting year	1 January – 31 December 2020
Auditor	ERNST & YOUNG BALTIC SIA Certified audit Company licence No. 17 Muitas iela 1A, Rīga, Latvija Riga, LV-1010 Latvia Certified auditor-in-charge Diāna Krišjāne Certificate Nr.124

Independent auditor's report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Board of the Company (hereinafter – the Board) is responsible for preparation of the financial statements.

The financial statements on pages 15 to 32 are prepared in accordance with the accounting records and source documents, and present fairly the financial position of the Company as at 31 December 2020, and the results of its operations and its cash flows for the year then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) on a going concern basis. Prudent and reasonable judgements and estimates have been made by the Board in the preparation of these financial statements.

The Board is responsible for the maintenance of proper accounting records, safeguarding of the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. They are also responsible for the enforcement of the legislation of the Republic of Latvia.

Kristaps Muzikants	**Lilita Bekere**
Member of Board	On behalf of an accounting outsourcing company Member of the Board of SIA Numeri

MANAGEMENT REPORT

Description of the Company's activities and service market

Ignitis Latvija SIA is an independent Lithuanian capital electricity and natural gas supplier in Latvian market. The Company's core line of business is the supply of electricity and natural gas, as well as sale of products aimed at increasing energy efficiency, provision of solar panel solutions and installation of electric car charging stations. Company was established on 28th of February 2013. Company supplies electricity to Latvian business entities since August 2013 and natural gas to Latvian business entities since July 2018. Since 2019 the Company has expanded the business and has started offering energy efficiency and solar panel solutions to Latvian business entities.

The Company's customer base has been increased throughout the years and now has exceeded the 10 percent of Latvian electricity supply market. Aiming to retain the existing customers and attract new ones, alongside with the development and improvement of the customer service, the Company is focusing on the current and new supply related activities in the energy sector, enabling the Company to provide customers with a wide choice of value added solutions and creates the distinctive competitive position for the Company.

Objective overview of the Company's financial position, performance and development

In 2020 Ignitis Latvija SIA continued the business expansion of the Company by increasing the customer base, expanding the sales channels and adding new services. The financial year was completed with a total of 11 employees.

The Company followed the approved strategy and added new business lines by starting to provide products aimed at energy efficiency and solar panel solutions to their existing and potential customers.

In 2020 Ignitis Latvija SIA continued providing natural gas supply to Latvian business entities and increased the portfolio.

The Company continued providing energy market expertise and power portfolio management competences to TET SIA, thus enabling the partner to ensure energy supply to Latvian households.

The Company's vision – we transform for a more sustainable world – is based on following values:

- **Responsibility** - Care. Do. For Earth. Starting with myself.
- **Partnerships** - Diverse. Strong. Together.
- **Openness** - See. Understand. Share. Open to the world.
- **Growth** - Curious. Bold. Everyday.

In everything we do, we are united by the **mission** to make the world more energy smart.

Description of the Company's exposure to key risks and contingencies

Economic risk

The Company's activities expose it to the volatility of electricity price (market risk). Starting from 2019 the Company has made a SWAP agreement with Ignitis UAB with the purpose to use derivative financial and physical instruments to manage the market risk.

Credit risk

The Company's exposure to credit risk arises from both operating activities (trade receivables and other amounts receivables) and financing activities (cash and cash equivalents).

The Company manages its trade receivable risk in accordance with the Company's policies. Before signing an agreement, credit ability of a potential customer is evaluated.

The Company monitors its trade receivable balances on a regular basis to minimise amount of doubtful debts. The potential impairment of debts is analysed on a regular basis.

Liquidity risk

Liquidity risk refers to the Company's inability to meet its short-term financial obligations in defined term.

The Company's management manages the liquidity risk, by making sufficient cash reserves and providing appropriate financing, using credit line, as well as monitors forecasted and actual cash flows and coordinates the term structure of financial assets and liabilities.

The Company performs long-term cash flow forecasting for a year. By this the Company maintains appropriate amount of recourses to provide financing of operating expenses, to settle Company's liabilities and to make necessary investments.

Interest rate risk

The interest rate risk is risk to suffer losses from changes in interest rates applied to the Company's assets and liabilities. The Company is exposed to interest rate risk mainly from its short-term borrowing being at variable interest rate.

As the credit line has been provided by the Parent Company, the Company does not use derivative financial instruments to manage the interest rate risk.

Foreign exchange risk

Purchase/sale contracts of the Company are denominated in the euro currency; therefore the Company is not exposed to foreign exchange risk.

Analysis of financial and non-financial performance

In 2020, supplied volume of electricity increased up to 869.21 GWh and up to 71.71 GWh of natural gas, as a result of an active sales activities. As a result of improved sales strategy and natural gas supply planning, the Company managed to significantly increase the number of customers, as well as increase supplied volume of electricity and natural gas supplied to end customers. However, due to fluctuations in electricity and natural gas prices, turnover decreased from 42.38 million euros to 39.98 million euros.
Activities generated EUR 2 884 thousand in net losses (2019: net loss of EUR 776 thousand). The main reasons for the losses are the impact of the Covid-19 virus, which increased the spread between various derivative financial instruments that worked against previously seen market principles. As well increase in invoices not paid on time resulted in the Company renewing its receivables valuation methodology and increasing provisions.

Financial indicators, in thousands EUR	2020	2019	Change	
Sales	39 977	42 384	(2 407)	-5.68%
EBITDA	(2 883)	(776)	(2 107)	271.52%
Net profit	(2 884)	(776)	(2 108)	273.41%
Assets	10 396	11 998	(1 602)	-13.35%
Shareholders' equity	3 651	535	3 114	582.43%
Liabilities	6 744	11 462	(4 718)	-41.16 %
Borrowings	4 000	7 700	(3 700)	-48.05 %

Information on environmental and personnel-related issues

The Company's activities comply with the requirements stipulated by the relevant environmental laws.

The system on a variable remuneration and performance assessment was used in the Company's activities in 2020. The remuneration of the Company's employees consists of a fixed and variable components. A fixed component of the remuneration is established based on the position held and the competence of the employee. A variable component of the remuneration is paid for measurable performance results, i.e. with respect to each position for the achievement of set objectives.

On the 31st of December 2020, the Company employed eleven employees. In comparison, on 31st of December 2019, the Company employed nine employees.

References to or additional explanations of data presented in the annual financial statements

All financial data presented in this annual report is calculated in accordance with the International Financial Reporting Standards and is consistent with the Company's audited financial statements.

Information on own shares acquired or held by the Company, the number and nominal value of shares acquired or disposed over the reporting period, and the percentage of authorised share capital they represent, information on payment for own shares, provided these shares were acquired or disposed of in exchange for a consideration

The Company did not hold its own shares at the beginning of the reporting period and did not acquire any of its own shares during the reporting period.

Information about the Company's branches and representative offices

The Company had no branches or representative offices during the reporting period.

The Company's management bodies

In accordance with the Company's Articles of Association, Company's management is carried out by the Management and Supervisory boards.

The Management Board is the executive institution of the Company, which manages and represents the Company. The Supervisory Board is the supervisory institution of the company, which represents the interests of the shareholder – Parent Company during the time periods between the meetings of shareholder and supervises the activities of the Management Board within the scope specified in the Commercial Law and the Articles of Association. The competencies of the Management and Supervisory boards, the procedure of decision-making, election and removal of its members are established by the Commercial law and Articles of Association.

Members of the Management Board and Supervisory Board as of 31 Dec 2020:

Name	Position	from	to
Kristaps Muzikants	Member of the Management Board	2019-10-24	present
Darius Montvila	Chairperson of the Supervisory Board	2019-10-24	present
Simona Grinevičienė	Member of the Supervisory Board	2019-10-24	present
Artūras Bortkevičius	Member of the Supervisory Board	2019-10-24	present

Information on the auditor

The Company's auditor – Ernst&Young Baltic SIA, Certified audit Company licence No., Muitas iela 1a, Riga, Latvia, LV-1010.

Significant events after the end of the reporting financial year

There were no significant events subsequent to the end of the financial year except those mentioned in Note 21.

The Company's operation plans and prospects

In 2021, the Company plans to increase activities related with energy efficiency and solar power plant solutions, as well as increase of the sales of electricity and natural gas.

Information about the Company's research and development activities

In 2020, the Company had no research and development activities.

Financial instruments used

Starting from 2019 the Company has signed a SWAP agreement with Ignitis UAB with the purpose to use derivative financial and physical instruments to manage the market risk.

STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2020	At 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	98 529	113 789
Other loans and receivables		140 125	193 129
Total non-current assets		**238 654**	**306 918**
Current assets			
Trade and other receivables	6	7 621 461	7 603 141
Cash and cash equivalents	7	2 535 555	4 087 519
Total current assets		**10 157 016**	**11 690 660**
TOTAL ASSETS		**10 395 670**	**11 997 578**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	11 500 000	5 500 000
Retained earnings		(7 848 687)	(4 964 830)
Total equity		**3 651 313**	**535 170**
Liabilities			
Current liabilities			
Borrowings	9	4 000 000	7 700 000
Trade and other payables	10	2 744 357	3 762 408
Total current liabilities		**6 744 357**	**11 462 408**
Total liabilities		**6 744 357**	**11 462 408**
TOTAL EQUITY AND LIABILITIES		**10 395 670**	**11 997 578**

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

Ignitis Latvija SIA, company code 40103642991, Cēsu iela 31 k-3, Rīga, Latvia, LV-1012
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
All amounts in EUR unless otherwise stated

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	2020	2019 (*restated)
Revenue and other income			
Revenue from contracts with customers	11	39 976 796	42 383 853
Other income		94 810	933 304
		40 071 606	**43 317 157**
Operating expenses			
Purchases of electricity, gas and related services	12	(34 682 269)	(43 277 977)
Selling expenses	13	(449 589)	(336 894)
Administrative expenses	14	(358 569)	(289 696)
Other operating expenses	15	(7 405 676)	(103 824)
Total operating expenses		**(42 896 103)**	**(44 008 391)**
Operating profit/ (loss)		**(2 824 497)**	**(691 234)**
Finance costs	16	**(58 031)**	**(42 429)**
Profit/ (loss) before income tax		**(2 882 528)**	**(733 663)**
Income tax		(1 329)	(14)
Net profit/ (loss) for the year		**(2 883 857)**	**(733 677)**
Other comprehensive income/(expenses) for the year		-	-
Total comprehensive income/(loss) for the year		**(2 883 857)**	**(733 677)**

*Amounts indicated do not coincide with 2019 set of financial statements and related adjustments are disclosed in Note 4.

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

All amounts in EUR unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
Balance at 1 January 2019	**5 500 000**	**(4 231 153)**	**1 268 847**
Increase of share capital		-	-
Comprehensive loss for the year	-	(733 677)	(733 677)
Balance at 31 December 2019	**5 500 000**	**(4 964 830)**	**535 170**
Balance at 1 January 2020	**5 500 000**	**(4 964 830)**	**535 170**
Increase of share capital	6 000 000	-	6 000 000
Comprehensive loss for the year	-	(2 883 857)	(2 883 857)
Balance at 31 December 2020	**11 500 000**	**(7 848 687)**	**3 651 313**

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	2020	2019
Cash flows from operating activities			
Loss before tax		(2 882 528)	(733 663)
Depreciation of property, plant and equipment	5	43 477	9 587
Interest expenses	16	58 031	42 429
		(2 781 020)	(681 647)
Change in operating assets and liabilities:			
Decrease / (Increase) in receivables		34 684	4 797 924
Decrease in other current assets		-	11 330
Increase in payables		(1 018 051)	898 323
Cash flows from operating activities		(983 367)	5 707 577
Corporate income tax paid		(1 329)	(14)
Net cash outflow from operating activities		**(3 765 716)**	**5 025 916**
Cash flows from investing activities			
Payments for property, plant and equipment	5	(28 216)	(119 866)
Net cash outflow from investing activities		**(28 216)**	**(119 866)**
Cash flows from financing activities			
Net change in credit line balance		2 300 000	(3 300 000)
Interest paid		(58 031)	(42 429)
Net cash inflow from financing activities		**2 241 969**	**(3 342 429)**
Net (decrease)/increase in cash and cash equivalents		**(1 551 964)**	**1 563 621**
Cash and cash equivalents at the beginning of the financial year		4 087 519	2 523 898
Cash and cash equivalents at end of year	7	**2 535 555**	**4 087 519**

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Company name:	Ignitis Latvija SIA
Legal form:	Limited liability company
Registered capital:	EUR 11 500,000
Date of registration:	28 February 2013
Place of registration:	Commercial register
Company code:	40103642991
Address of the registered office:	Cēsu 31 k-2, Rīga, Latvia, LV-1012
Address for correspondence:	Cēsu 31 k-2, Rīga, Latvia, LV-1012
Company's register:	The Register of Enterprises of the Republic of Latvia
Telephone:	+371 2 000 50 95
E-mail:	info@ignitis.lv
Website:	http://www.ignitis.lv/

The Company has received the electricity and gas trader's licences. The Company's core line of business is independent supply of electricity, including supply, scheduling, forecasting, balancing, purchasing and sales of balancing energy, trade intermediation, import, export of electricity, and other activities directly related thereto not prohibited by laws. The Company started to supply electrical power in August 2013 and natural gas to Latvian business entities since July 2018, first energy efficiency projects have been completed in 2019.

The ultimate beneficial owner is Republic of Lithuania.

The Company's financial year coincides with a calendar year. The shareholders of the Company have a statutory right to approve these financial statements or not to approve and to require preparation of a new set of the financial statements.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and they are based on the historical cost convention, except as disclosed in the accounting policies below. Such accounting policies are constantly used for all periods in the report unless otherwise marked. Statement of cash flows has been prepared by presenting operating cash flows using the indirect method. Statement of profit or loss is being presenting showing analysis of expenses by function.

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As described, in 2020 the Company suffered losses due to the difference in prices between various derivative financial instruments, which in 2020 worked contrary to the market principles seen before. The Company's management believes that the current situation is temporary and is taking steps to restore revenue to previous levels. If the current situation becomes long-lasting and is not remedied, the Company may need financial support. The Company has received a Comfort letter from its parent company Ignitis UAB regarding financial support, if such will be needed.

These financial statements are presented in the official currency of Republic of Latvia - the euro (EUR), which is the Company's functional and presentation currency.

Financial Statements cover the reporting period from 1 January 2020 to 31 December 2020 and comparative information for the year ended 31 December 2019.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that would be expected to have a material impact to the company, except for the effect of new standards presented below.

2.2 Impact of COVID-19

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.
In the Republic of Latvia as well as in many other countries starting March 2020 different restrictions to limit the COVID-19 spread came into effect leading to a considerable economic slowdown. The objective of these public policy measures was and is to contain the spread of COVID-19 outbreak and have resulted in operational disruptions.

In parallel, governments, including the Republic of Latvia, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has not applied for such government assistance.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. COVID-19 did not have an immediate material impact on the business operations.
The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.
Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020:

- **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.

- **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 amendments did not have a material impact on Company`s financial statements.

- **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. At the moment Management is assessing the effect of new standard amendment on financial statements of the Company.

- **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. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses 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 did not have a material impact on Company`s financial statements.

  Standards issued but not yet effective and not early adopted

- **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 amendments have not yet been endorsed by the EU. Management does not expect significant impact on Company`s financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management does not expect significant impact on Company`s financial statements.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  The amendments have not yet been endorsed by the EU. Management does not expect significant impact on Company`s financial statements.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  The Company did not have any leases impacted by the amendment. Amendment had no impact on the financial statements of the Company accordingly.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The amendments have not yet been endorsed by the EU. The amendments did not have material impact on Company`s financial statements.

2.4 Foreign currency translation

The Company's functional currency is euro which is also considered as the presentation currency for the purpose of these financial statements; all other currencies are considered as foreign currencies. The financial statements have been prepared in euro (EUR).

Foreign currency transactions are recorded in euros, according to the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into euros based on the foreign currency exchange rates of European Central Bank prevailing at the transaction date. Gains and losses from translation of monetary assets and liabilities related to operating activities and from translation of monetary assets and liabilities related to investing and financing activities are recorded in the statement of income in the line "Financial income / financial costs".

2.5 Property, plant and equipment

Property, plant and equipment items are recorded at historical cost net of accumulated depreciation and accumulated impairment losses, if such are deemed necessary.

Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets. The costs of self-constructed fixed assets consist of purchase price and other direct expenditures, as well as all ancillary charges related to its implementation in use, costs incurred in demolishing or rearranging existing assets and modernization of assets' location place. The costs of software licences that are inseparable from the equipment and ensure its proper functioning are capitalized as part of equipment.

If fixed assets are comprised of major components having different useful lives, they are accounted for as separate items of fixed assets. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the income statements in the period in which they are incurred.

Where the carrying amount of fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation

Depreciation of fixed assets is calculated using the straight-line method. Depreciation is charged to the income statement.

Depreciation is calculated for each class of assets using their residual values by applying the depreciation rates specified for each asset category:

Asset category	Depreciation rate
Other fixed assets	6 – 33.33 %

2.6 Impairment of tangible assets

There is defined estimated useful life for each tangible asset. Value of assets, that are depreciated, is assessed for whether or not there are indications that an asset may be impaired.

The impairment loss is the difference between the book value of the asset and its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. To evaluate for impairment, the assets are grouped at the lowest level for which there are identifiable cash flow (cash generating units). If an asset is impaired, the Company writes it down to its recoverable amount and recognises an impairment loss in the consolidated statement of comprehensive income.

For assets previously impaired an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.7 Financial assets

The Company recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised using trade date accounting.

Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of a financial asset.

Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

Following the adoption of IFRS 9 *Financial instruments* , the Company classify their financial assets into the following three new categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income; and
(iii) financial assets subsequently measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Company, amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose

of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows. These assets are stated at amortised cost using the effective interest method. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. Effective interest rate method is a method applied to allocate interest income over the relevant period so as to achieve a constant periodic rate of interest (effective interest) on the carrying amount. The effective interest rate exactly discounts estimated future cash inflows or outflows (excluding future expected credit losses) to gross carrying amount of the financial instrument over the expected life of the financial instrument or a shorter period, if necessary.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the preparation of the statement of financial position, in which case they are classified as non-current assets.

Assets held in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) are carried at amortised cost. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss and other comprehensive income. Impairment losses are accounted for as impairment and write-off expenses in the statement of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss

Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at fair value through other comprehensive income (FVOCI) are stated as financial assets to be measured at fair value through profit or loss (FVPL).

To this category, the Company attributes amounts receivable from disposal of business or equity instruments that do not meet the SPPI conditions. The Company attributes financial assets to assets measured at fair value through profit or loss, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss in the period in which it arises.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Impairment of financial assets – expected credit losses

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

For short-term trade receivables without a significant financing component the Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.
The Company assesses all material amounts receivable individually, and all immaterial amounts collectively.

The Company calculates the allowance for expected losses by assessing the debtor portfolio using the following model:

- By using CrefoScore – an estimate of expected probability of default developed by Creditreform Latvia where every debtor is rated by being assigned to the corresponding credit risk category;
- Each credit risk category has corresponding probability of default and loss given default;
- Provision is calculated by multiplying the remaining debt with corresponding default probability.

The following provision matrix has been used by the Company for calculating the impairment losses for trade receivables:

Crefo rating	1	2	3	4	5	6	7	8	9	10
Probability of default	0,45%	0,97%	1,54%	2,32%	3,15%	4,38%	6,11%	10,04%	57,06%	98,90%*

* The probability of the default is based on group company data for recoveries from bankrupted companies as the Company does not have similar statistics locally.

The Company's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower.

Recognition stages of expected credit losses:
1. Upon granting of a loan or concluding a finance lease agreement, the Company recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
2. Upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Company accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from loans (finance leases) is calculated on the carrying value of the financial assets, without adjusting it by the amount of expected credit losses.
3. Where the Company establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Company classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and other receivables). Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
a) significant financial difficulty of the borrower;
b) a breach of contract, such as a default or past due event for more than 90 days;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties;
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables.

Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:

- if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
- if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

The Company derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

2.8 Derivative financial instruments

The Company enters into derivative transactions related to the purchase and sale prices of electricity for hedging purposes, but does not document or apply efficiency requirements to such transactions.

The fair value of derivative financial instruments is recognized in the statement of financial position under “Other financial assets” and “Other payables and liabilities”.
Changes in the fair value and realized gains on derivatives that are not subject to hedging policies are recognized as “Other income” if the period result of such derivatives is profit, or as “Other expenses” if the result for the period of such derivatives is a loss.

2.9 Cash and cash equivalents

Cash and cash equivalents include bank account balances and short-term (with the maturity of three months or less from the contract date) investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

2.10 Financial liabilities and equity instruments issued

Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Company/Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings and bonds issued at the moment of initial recognition, are recognised at fair value, less transaction costs.

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company/Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, 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 derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate. If maturity term of liabilities is less than a year, they are classified as short-term creditors. If maturity exceeds one year, liabilities are classified as long-term.

2.12 Borrowings

Borrowings are initially recognized as fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortisation is included in finance cost in the income statement. Borrowings are classified as short-term liabilities, except, if the Company has the inalienable right to defer settlement for at least 12 months after the balance sheet date. The financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Borrowing costs are expensed in profit or loss as incurred since the Company is not engaged in creation of qualifying assets to which borrowing costs could be attributed.

2.13 Accruals for unused annual leave

Amount of accruals for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

2.14 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of 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. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

2.15 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements the Company in the period in which the dividends are approved by the Company's shareholders.

2.16 Employee benefits

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan and tariffs specified by the local laws. A defined contribution is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses. Wages and salaries, contributions to the State Social Security Fund, paid annual leave, paid sickness leave are accumulated in the year, in which they are earned by the Company's employees

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Revenue accounting

Revenue is income arising in the course of the Company's ordinary activities.Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue from contracts with customer is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from contracts with customers shall be recognised, when obligations of the activity are fulfilled or a certain goods or services are transferred. Only increase of the economic benefits of the Company is considered as revenue. Revenue shall be evaluated at the fair value of the receivable for goods or services, excluding value added tax and after deduction of rebates and discounts. Amounts collected on behalf of the third parties shall not be considered as revenue, as it is not an economic benefit of the company and such amounts do not increase the equity capital.

Revenue from sales of goods or services
Goods and services shall be considered as sold, when all of the following conditions are met:

- the Company has transferred the risk related with the goods or services sold and the benefits arising from the ownership of such goods or services;
- the Company no longer controls the goods sold;
- it is probable that the economic benefits related with the sales contract will be received and the amount thereof can be reliably measured;
- the costs related with the sales contract can be reliably measured.

In accordance with the principle of comparison, income and expenses related to the same transaction must be recognized in the same reference period. Costs are recognized when they 'earn' respective revenue. However, revenue cannot be recognized unless the costs can be measured reliably. In such circumstances, any amounts already received for the goods sold are recognized as a liability or deferred income.

1) Revenue from the sale of electricity to business customers is recognized when the electricity is supplied on the basis of the actual amount of electricity consumed, which is determined by meter readings.
2) Revenue from sale of natural gas to business customers is recognized on monthly basis based on actual amount of of gas consumed, whicj is determined by meter readings.
3) Revenue and cost of Public service obligation (PSO) and/or distribution, transmission.

The Company collects PSO and/or distribution, transmission funds from consumers on the basis of the tariffs set by Public Utilities Commission of Latvia (Sabiedrisko pakalpojumu regulēšanas komisija – SPRK) and transfers them to PSO/distribution service operators.

Other revenue
Other revenue is recognizedin the period in which the services have been provided. Other operating revenue in the Company includes:

1) Revenue from new products and services;
2) Other revenue.

Revenue from financial and investing activities
Revenue from financial and investing activities is considered to be an increase in economic benefits related to the financial and investment activities in the company.
The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. However, the Company does not adjust any of the transaction prices for the time value of money.

Revenue is recognised when it is probable that economic benefits will flow to the Company, and a reliable estimate of the amount can be made. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, net of value added tax and discounts.

Revenue from interest
Revenue from interest is recognized using the calculated interest rate method. Revenue from interest received is presented in the cash flow statement as cash flows from investing activities and in the statement of gross income as income from financial activities.

2.18 Cost accounting

Recognition of costs
Costs are recognized in the accounting of the company on an accrual basis in the reporting period in which the related income is earned, regardless of the time of disbursement.

Costs are recognized only to the extent of costs incurred in prior and current periods that relate to revenue earned during the current period. Costs that are not related to the earning of income in the current period, but are intended to earn income in future periods, are recorded in the accounts and presented as an asset in the statement of financial position.

If the use of a particular asset will generate revenue in some future periods and, as a result, the relationship between revenue and costs can only be estimated approximately, the costs are recognized using indirect recognition methods (such as depreciation and amortization).

Where costs incurred during the reference period cannot be directly related to the earning of specific revenue and those costs will not generate revenue in future reporting periods, such expenses are recognized as costs in the Company for the same period as they were incurred.

Costs of providing services are recognized, accounted for and presented in the financial statements in the same reporting period in which the revenue from the services provided was recognized.

Costs in the company are measured at fair value. Payments are usually made in cash or cash equivalents, so the amount of costs is measured at the amount of cash or cash equivalents paid or payable (excluding recoverable value added tax). However, in some cases, fair value is determined differently. In this case, the fair value of the cost is calculated by discounting the settlement amount at the market interest rate. The difference is recognized as an operating costs.

The costs of providing services include raw materials, supplies, components and other current assets used in the provision of services, labor costs, depreciation (amortization) costs of fixed assets used, services provided by third parties and similar costs.

Costs in the company are subdivided to highlight elements of financial performance that may differ in their frequency, profit or loss potential and predictability. Cost analysis can be presented by nature or by function. The Company has chosen to group and analyze operating costs by nature.

In the Company operating costs are included in the income statement according to their nature and are not reallocated in terms of their use.
Operating cost groups by nature:
1) electricity purchases;
2) gas costs;
3) depreciation and amortization costs;
4) employee benefits and related social security contributions;
5) repair and maintenance costs;
6) transport costs
7) telecommunications and information technology costs;
8) rent and utility costs;
9) other operating costs.

Other operating costs include: write-offs of fixed assets, customer service, staff development, business trips, medical services, consulting services, public relations and marketing, stationery, subscriptions, insurance, inventory services, impairment, taxes and other services.

Financial and investing activity costs include all costs that arise in financing the company's operations and decreases in economic benefits associated with the financial and investing activities.
Financial and investment activity costs within the Company include:
1) negative impact of changes in exchange rate;
2) interest costs;
3) costs of fines and interest on arrears;
4) other financial and investment activity costs.

2.19 Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

On July 28, 2017, a new Corporate Income Tax Law was adopted, which stipulates that from January 1, 2018, the corporate income tax is levied on profit that arose after 2017 if it is distributed or conditionally distributed profit arises.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

Due to the nature of the taxation system, the entities registered in Latvia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position. The maximum income tax liability which would accompany the distribution of retained earnings is disclosed in the notes to the financial statements.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item "Other operating expenses" since it is not based on the taxable profit as per meaning of IAS 12, but rather levied on the gross amount of specified taxable transactions, and, therefore, not in scope of IAS 12.

2.20 Related parties

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.21 Events after the end of the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

2.22 Significant accounting judgments, estimates and assumptions

Judgements

In the process of applying the Companies' accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Copany. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.23 Financial guarantee contracts

The Company provides financial guarantees in relation to loans or other liabilities of the subsidiaries for compensation, which is recognised in profit and loss on an accrual basis. The financial liability is initially measured at fair value, and subsequently at the higher of the amount determined in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised.

3 Financial risk management

The Company is exposed to a variety of financial risks in its operations: market risk (which includes interest rate risk in relation to fair value and cash flows and price risk), credit risk and liquidity risk. In managing these risks the Company seeks to mitigate the effect of factors which could make a negative effect on the financial performance of the Company.

The Company manages financial risk following the policies established at the level of Ignitis UAB Group.

Risk management is carried out by the Board of the Company.

Financial instruments can be presented as follows:

Loans and receivables	31.12.2020	31.12.2019
Trade and other receivables (Note 6)	7 621 461	7 603 141
Cash and cash equivalents (Note 7)	2 535 555	4 087 519
Total financial assets	**10 157 016**	**11 690 660**

Other financial liabilities	31.12.2020	31.12.2019
Borrowings (Note 9)	4 000 000	7 700 000
Trade and other payables (Note 10)	2 744 357	2 745 935
Total financial liabilities	**6 744 357**	**10 445 935**

Market risk

Price risk
The Company's activities expose it to the risk of change in electricity and gas price (market risk). To manage market risk Company starting from 2019 has made a SWAP agreement with Ignitis UAB with the purpose to use derivative financial and physical instruments.

Cash flow and fair value interest rate risk
The interest rate risk is risk to suffer losses from changes in interest rates applied to the Company's assets and liabilities. The Company is exposed to interest rate risk mainly from its short-term borrowing being at variable interest rate. As the credit line has been provided by the Parent company, the Company does not use derivative financial instruments to manage the interest rate risk.

Foreign exchange risk
The Company is not exposed to foreign exchange risk since it has not entered into transactions denominated in foreign currencies.

Credit risk

The Company's exposure to credit risk arises from both operating activities (trade and other receivables) and financing activities (cash and cash equivalents). The Company manages its trade receivable risk in accordance with the Company's policies. Before signing an agreement, credit ability of a potential customer is evaluated.

The Company monitors its trade receivable balances on a regular basis to minimise amount of doubtful debts. The potential impairment of debts is analysed on a regular basis. The Company has not received any pledges for customer debts. The Company evaluates its credit risk concentration as being moderate. The Company assesses the risk using its internal credit rating system for evaluation of trade receivables.

At the end of each reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any objective evidence exists that an impairment loss has been incurred, the carrying amount of the financial asset is being reduced through the use of an allowance account.

The credit risk relating to cash balances at bank is limited because the Company conducts transactions with banks that have high credit ratings assigned by international credit rating agencies. The Company holds cash balances at banks which are part of the financial groups assigned with credit ratings not lower than A-2 under the classification of Standard & Poor's short-term credit ratings.

The table below summarises the Company's maximum exposure to credit risk at the end of reporting period:

	31.12.2020	31.12.2019
Cash and cash equivalents (Note 7)	2 535 555	4 087 519
Trade and other receivables (Note 6)	7 621 461	7 603 141
Total	**10 157 016**	**11 690 660**

The Company has one type of financial assets that is subject to expected credit loss model: trade receivables for sales of electricity and gas and related services. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, including trade receivables from the related parties. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and probability of default.

Liquidity risk

Liquidity risk refers to the Company's inability to meet its obligations in defined term due to insufficient cash inflows. The Company's management manages the liquidity risk, by making sufficient cash reserves and providing appropriate financing, using credit line, as well as monitors forecasted and actual cash flows and coordinates the term structure of financial assets and liabilities.

The Company performs long-term cash flow forecasting for a year. By this the Company maintains appropriate amount of recourses to provide financing of operating expenses, to settle Company's liabilities and to make necessary investments. Company's liquidity risk is managed in cooperation with the parent company, and in December 2020, the parent company made a contribution to the share capital by capitalizing credit line in the amount of EUR 6 million. The table below provides the analysis of Company's liability term structure, based on undiscounted cash flows and including interest payments in accordance with agreements:

31 December 2020	Less than 3 months	3 to 12 months	Total undiscounted cash flow	Carrying amount
Trade payables and other payables (Note 10)	1 864 087	-	1 864 087	1 864 087
Tax liabilities and payables to employees (Note 10)	861 547	14 372	875 800	875 800
Borrowings (Note 9)*	-	4 000 000	4 000 000	4 000 000
Total	**2 725 634**	**4 014 372**	**6 739 887**	**6 739 887**

*- interest expenses have been estimated on the basis of interest rates prevailing on 31 December 2020.

31 December 2019	Less than 3 months	3 to 12 months	Total undiscounted cash flow	Carrying amount
Trade payables and other payables (Note 10)	2 745 935	-	2 745 935	2 745 935
Tax liabilities and payables to employees (Note 10)	898 790	12 499	911 289	911 289
Borrowings (Note 9)*	2 000 000	5 700 000	7 700 000	7 700 000
Total	**5 644 725**	**5 712 499**	**11 357 224**	**11 357 224**

*- interest expenses have been estimated on the basis of interest rates prevailing on 31 December 2019.

Capital management

Capital consists of the equity capital disclosed in the statement of financial position.

The goal of capital management is to ensure Company's ability to continue on a going concern basis and provide appropriate profitability level to the Company's shareholder. Ignitis UAB, as sole shareholder, has rights to make decision about Company's capital changes, dividends to be paid or investments in the Company's development.

In light of capital management, the Company evaluates proportion of borrowed capital to its total capital. The risk management policy of the Company does not define the level of this ratio.

The proportion of the Company's borrowed capital to its total capital at the end of reporting period was as follows:

	31.12.2020	31.12.2019
Borrowing from the parent company	4 000 000	7 700 000
Liabilities (including taxes payable)	2 744 357	3 762 408
Total liabilities	**6 744 357**	**11 462 408**
Equity	3 651 313	535 170
Total liabilities and equity	**10 395 670**	**11 997 578**
Borrowed capital to total capital	1.83	21.42
Equity to total liabilities	0,35	0,05

Fair value

The Company estimates that the fair values of assets and liabilities reported at amortised cost in the statement of financial position as at 31 December 2020 and 31 December 2019 do not materially differ from the carrying amounts reported in the financial statements. The carrying amount of current accounts receivable and payable and borrowings is estimated to be approximately equal to their fair value. For disclosure purposes, the fair value of financial liabilities is determined by discounting the contractual cash flows at the market interest rate which is available for similar financial instruments of the Company.

Fair value is defined as 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. There are three levels in the fair value hierarchy:

Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair value of assets is based on other observable market data, directly or indirectly.
Level 3: fair value of assets is based on non-observable market data.

Fair value is the amount for which an asset would be sold, or a liability disposed, at active market conditions (or on an arm's length basis), regardless of whether such price is directly observable or estimated by applying valuation technique.

	Carrying value		Fair value	
	Total	1 level	2 level	3 level
Fair value as at 31 December 2019				
Financial assets				
Trade and other receivables	7 603 141	-	-	7 603 141
Cash and Cash equivalents	4 087 519	4 087 519	-	-
Total Financial assets	**11 690 660**	**4 087 519**	**-**	**7 603 141**
Financial liabilities				
Borrowings	(7 700 000)	-	-	(7 700 000)
Trade and other payables	(3 762 408)	-	-	(3 762 408)
Total Financial liabilities	**(11 462 408)**	**-**	**-**	**(11 462 408)**
Fair value as at 31 December 2020				
Financial assets				
Trade and other receivables	7 621 461	-	-	7 621 461
Cash and Cash equivalents	2 535 555	2 535 555	-	-
Total Financial assets	**10 157 016**	**2 535 555**	**-**	**7 621 461**
Financial liabilities				
Borrowings	(4 000 000)	-	-	(4 000 000)
Trade and other payables	(2 744 357)	-	-	(2 744 357)
Total Financial liabilities	**(6 744 357)**	**-**	**-**	**(6 744 357)**

4 Restatement of comparative figures due to reclassification

In preparing financial statement, the Company has changed presentation of financial derivative-related operations in SPLOCI. The change has impact on the previous financial year, consequently reclassifications have been reflected in the comparative financial information of 2019. The information regarding reclassifications is presented below:

The Company changed presentation of financial derivative-related operations in the SPLOCI. After thorough analysis of the previous presentation of derivatives the management determined that reclassifications should be made to give more reliable information for the users of the financial statements. The Company reclassified profit and loss recognised on closed contracts of derivatives. The reclassification was made from other lines of SPLOCI to Other income (as the total net result for the period from all transactions related to derivatives is profit). Such presentation clarifies the total impact of financial derivatives in the SPLOCI in a more conventional way.
This restatement did not materially affect the figures presented in the statements of financial position, changes in equity and cash flows for 2019.

	2019 as previously reported	Restatement	2019 after restatement
Revenue and other income			
Revenue from contracts with customers	43 849 065	(1 465 212)	42 383 853
Other income	46 815	886 489	933 304
	43 895 880		**43 317 157**
Operating expenses			

Purchases of electricity, gas and related services	(43 856 700)	578 723	(43 277 977)
Selling expenses	(336 894)		(336 894)
Administrative expenses	(289 696)		(289 696)
Other operating expenses	(103 824)		(103 824)
Total operating expenses	**(44 587 114)**		**(44 008 391)**
Operating profit/ (loss)	**(691 234)**		**(691 234)**
Finance costs	**(42 429)**		**(42 429)**
Profit/ (loss) before income tax	**(733 663)**		**(733 663)**
Income tax	(14)		(14)
Net profit/ (loss) for the year	**(733 677)**	**-**	**(733 677)**
Other comprehensive income/(expenses) for the year	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**(733 677)**	**-**	**(733 677)**

5 Property, plant and equipment

	Other fixed assets	Total
Cost 31.12.2018	**8 571**	**8 571**
Acquired during 2019	119 866	119 866
Cost 31.12.2019	**128 437**	**128 437**
Depreciation 31.12.2018	**5 061**	**5 061**
Charge for 2019	9 587	9 587
Depreciation 31.12.2019	**14 648**	**14 648**
Net book value 31.12.2018	**3 510**	**3 510**
Net book value 31.12.2019	**113 789**	**113 789**
Cost 31.12.2019	**128 437**	**128 437**
Acquired during 2020	28 216	28 216
Cost 31.12.2020	**156.653**	**156.653**
Depreciation 31.12.2019	**14 648**	**14 648**
Charge for 2020	43 476	43 476
Depreciation 31.12.2020	**58 124**	**58 124**
Net book value 31.12.2019	**113 789**	**113 789**
Net book value 31.12.2020	**98 529**	**98 529**

6 Trade and other receivables

	31.12.2020	31.12.2019
Trade receivables, including receivables for related parties	9 363 663	7 821 414
Provisions for bad and doubtful debtors	(1 757 202)	(241 609)
Receivable from related parties	3 920	640
Other debtors	11 080	22 696
Total	**7 621 461**	**7 603 141**

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. They are generally due for settlement within 15-30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 2.3 and Note 3.
According to the requirements of IFRS 9 the Company has measured loss allowance for expected credit losses of its trade receivables and recognised EUR 1 540 thousand as impairment allowance within "Other operating expenses" on 31 December 2020. This amount have been included in local annual report for Y2020 and is EUR 1 451 thousand more than on 31 December 2019.

7 Cash and cash equivalents

	31.12.2020	31.12.2019

	31.12.2020	31.12.2019
Cash in the bank	2 535 555	4 087 519
Total	**2 535 555**	**4 087 519**

8 Share capital

The Company's registered share capital as at 31.12.2020 is EUR 11 500 000 and consists of 11 500 000 shares with nominal value of EUR 1 each. In 2020, the share capital of the Company was increased by issue of new 6 000 000 shares with par value of EUR 1 each.
In 2020, EUR 6 000 000 of the share holder Ignitis UAB loan was capitalized and included in the share capital..

Company's shareholder	At 31 December 2020		At 31 December 2019	
	Share capital (EUR)	Number of shares held, %	Share capital (EUR)	Number of shares held, %
Ignitis UAB	11 500 000	100	5 500 000	100

As at 31 December 2017 and 31 December 2016, the Company's ultimate controlling party was the Government of the Republic of Lithuania represented by the Lithuanian Ministry of Finance, which controls Ignitis UAB through wholly owned holding company Ignitis Grupe, UAB.

9 Borrowings

	31.12.2020	31.12.2019
Credit line from Ignitis UAB	4 000 000	7 700 000
Total	**4 000 000**	**7 700 000**

Parent company Ignitis UAB has granted a credit line to the Company for the operating needs. Interest rate for the borrowing is EONIA (if EOINIA is a negative number, it is assumed EONIA to be 0 (zero)) plus 0.8%. Credit line agreement is concluded for one calendar year. Each year credit line amount and interest rate is reviewed with other significant conditions, if any.

10 Trade and other payables

	31.12.2020	31.12.2019
Financial payables within trade and other payables:		
Trade payables to third parties	207 859	1 404 598
Trade payables to related parties (Note 20)	315 079	153 129
Accrued liabilities	1 341 149	1 188 208
Total financial payables within trade and other payables (Note 3)	1 864 087	2 745 935
Payables to employees (Note 3)	35 271	31 346
Other tax payables (Note 3)	840 529	879 943
Prepayments	4 470	105 184
Total	**2 744 357**	**3 762 408**

11 Revenue

	2020	2019
Sale of electricity	38 708 768	42 129 140
Sale of gas	1 266 191	254 713
Other income	1 837	-
Total	**39 976 796**	**42 383 853**
Reclassification of items 2019*		
	Other income	**Revenue from contracts with customers**
Revenue from SWAP services	886 489	(1 465 212)
	Other operating expenses	**Purchases of electricity, gas and related services**
SWAP costs		(578 723)

*Note 4 Restatement of comparative figures due to reclassification

12 Purchases of electricity, gas and related services

	2020	2019
Purchase of electricity	33 413 522	41 189 660
Purchase of gas	1 154 645	232 828
Other costs of sales	114 102	1 855 489
Total	**34 682 269**	**43 277 977**

13 Selling expenses

	2020	2019
Salaries	175 955	117 315
IT costs	96 533	62 575
Regulatory fee	68 864	51 571
Social insurance contributions	41 498	27 771
Marketing costs	32 626	44 491
Office rent and utilities	25 222	13 717
Communication costs	3 571	2 937
Business trip expenses	839	3 603
Other selling costs	4 481	12 914
Total	**449 589**	**336 894**

14 Administrative expenses

	2020	2019
Salaries	166 640	165 248
Social insurance contributions	40 623	40 299
Accounting services	30 638	22 903
Legal services	13 313	2 047
Recruitment and training costs	4 591	3 410
Office expenses	3 223	9 488
Other administrative costs	99 541	46 301
Total	**358 569**	**289 696**

15 Other operating expenses

	2020	2019
SWAP costs *	5 831 846	-
Provision for doubtful debts	1 519 977	46 717
Nord Pool fees	40 745	40 576
Bank fees	6 541	7 933
Penalties	53	8 546
Other costs	6 514	52
Total	**7 405 676**	**103 824**

* SWAP transaction costs arose from the price difference between various derivative financial instruments that worked contrary to the market principles seen before.

16 Finance costs

	2020	2019
Interest costs on current credit line	58 031	42 429
Total	**58 031**	**42 429**

17 Contingent liabilities

The tax institutions have rights to examine Company's accounting records at any time during three years after reporting year and during five years with respect to transfer pricing (relevant for Corporate Income Tax) and may calculate additional tax liabilities and penalties.

The Company's management is not aware of any events that could result in significant potential liabilities in the future. The Company is not involved in any existing or threatened litigation.

18 Number of employees

	2020	2019
Average number of employees in the reporting year	11	9

19 Remuneration of the management

Till 24.10.2019 Board members did not receive remuneration from the Company. After 24.10.2019 Board member receives remuneration on the basis of employment agreement.20

20 Transactions with related parties

Related parties are the sole shareholder of the Company, its ultimate parent company, the key management members of those companies and their close family members as well as companies which are controlled by those persons or companies or which have significant influence over them.

As described in Note 9 "Borrowings", the Company uses credit line facility provided by its parent company. Interest costs relating to overdraft are disclosed in note 16 "Finance costs". The Company also received services from the parent company which amounted to EUR 6.6 million in 2020.

The Company's transactions with related parties conducted during the period from 1 January to 31 December 2020 and balances arising on these transactions as at 31 December 2020 are presented below:

	At 31 December 2020			
	Payables and obligations	Receivables	Costs of purchase and interests	Income of sales and interests
Parent company:				
Ignitis, UAB	315 079	3 920	6 629 070	239 052
Total:	**315 079**	**3 920**	**6 629 070**	**239 052**
Other related parties:				
Ignitis grupes paslaugu centras, UAB	(16 545)		42 432	
Ignitis UAB pastāvīgā pārstāvniecība Latvijā	-		351 161	
Total:	**(16 545)**		**393 593**	

The Company's transactions with related parties conducted during the period from 1 January to 31 December 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

	At 31 December 2019			
	Payables and obligations	Receivables	Costs of purchase and interests	Income of sales and interests
Parent company:				
Ignitis, UAB	141 987	640	390 196	871 167
Energijos tiekimas, UAB	(16 886)	(298 822)	299 623	602 278
Total:	**125 101**	**(298 182)**	**689 819**	**1 473 445**
Other related parties:				
Ignitis grupes paslaugu centras, UAB	(13.803)		107 386	
Ignitis UAB pastāvīgā pārstāvniecība Latvijā	41 830		281 721	
Total:	**28 027**		**389 107**	

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

21 Contingent liabilities and assets

Contingent liabilities have not been recognized in these financial statements. They are recognized as a liability only when it is probable that an outflow of resources will be required to settle the obligation. Contingent assets are not recognized in these financial statements but are disclosed only when it is probable that the economic benefits associated with the transaction will flow to the Company.

Rent

Leases of assets under which the lessor assumes substantially all the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense over the lease term on a straight-line basis. The Company's liabilities arising from operating leases are recognized as off-balance sheet liabilities.

22 Subsequent events

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Company's ability to continue as a going concern may differ from the management's assessment.

During the period between the last day of the financial year and the date of signing of this report there have been no other significant events that would have a material effect on the year end results.

Kristaps Muzikants	**Lilita Bekere**
Member of Board	On behalf of an accounting outsourcing company Member of the Board of SIA Numeri