JOINT STOCK COMPANY
ECO BALTIA

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2019

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

RIGA, 2020

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Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of registration of the Parent Company	40103446506 Riga, 11 August 2011
Registered office of the Parent Company	Krasta street 105, Riga, LV-1019, Latvia
Shareholders of the Parent Company	European Bank for Reconstruction and Development (30.50%) Limited partnership Otrais Eko fonds, Dārza iela 2, Riga, LV-1007, Latvia (19.46%) FLORACO INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (16.68%) BECKINSALE LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (16.68%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (16.68%)
Council Members of the Parent Company	Viesturs Tamužs — Chairman of the Council Undīne Būde — Deputy Chairperson of the Council Eduards Ekarts – Council Member Uldis Tēraudkalns – Council Member Peter Niklas Hjelt – Council Member
Board Members of the Parent Company	Kaspars Fogelmanis – Board Member from 24.09.2019 Jānis Aizbalts - Board Member from 24.09.2019. Santa Spūle - Board Member from 24.09.2019. Ingus Skadmanis - Board Member from 24.09.2019 Salvis Lapiņš – Board Member from 06.04.2020 Jolanta Jēkabsone — Board Member until 06.03.2019 Anita Saulīte — Board Member until 05.12.2018
Financial year	1 January – 31 December 2019
Previous financial year	1 January – 31 December 2018
Consolidated companies/associated company	SIA „Eco Baltia grupa" – 100% SIA „Nordic Plast" – 100% SIA „Eko Kurzeme" – 100% SIA "Eco Baltia vide" – 100% SIA "MRTL" – 100% SIA "Eco Teh Baltia" – 100% SIA "Polimēru parks" – 100% AS "PET Baltija – 91.03% SIA "Vaania – 90% Siguldas P SIA "Jumis" – concession agreement, 90% AS "Latvijas Zaļais punkts" – 88.48% SIA "Eko Reverss" – 88.48% UAB "Eco Baltia Aplinka" – 100% SIA "CREB Rīga" – 20%

Management Report

The Board of AS Eco Baltia hereby presents a management report regarding the consolidated financial statements of the AS Eco Baltia Group (hereinafter – the Group) for the business year ended 31 December 2019.

Business profile

The Eco Baltia Group was established in April 2012. The joint stock company Eco Baltia is the largest environmental management group in the Baltics in terms of turnover. The business of Eco Baltia covers the entire waste management cycle, including waste collection and sorting, recyclables logistics and wholesale and, finally, recycling. Companies of the Eco Baltia Group are holding leading positions in their segments and are major taxpayers in the towns and regions where they are operating.

The core business activity of the Group comprises the waste management, recycling and sale of secondary raw materials, producer responsibility system in the field of packaging waste management, the management of waste electric and electronic equipment and wastes of goods harmful to the environment.

Corporate development and financial performance for the year

In 2019 Group's companies continued to grow according to the long term strategy, which aims to develop leading waste management and recycling holding in Baltics. The core direction of the Group's business strategy is – recycling, which continued to grow in 2019. Also other segments of the business were further enhanced.

All the business segments worked on effectiveness, productivity, competitiveness, customer service and work environment and labor safety through active implementation of the LEAN , includingKAIZEN methods in all Group companies which has resulted in significant gains due to improvements proposed and implemented by the employees.

Recycling companies focused also for finding new sales and raw materials markets, as well adjustments to the changes in global markets. In 2019 with 2.6 mln. investment new tire recycling plant was opened in Tukums. It's the most modern tires recycling plant in Baltics. Recycling capacity of the factory is 6.5 thousand tons of tires yearly. In the next years recycling capacity will be increased up to 10 thousand tons of tires.

In the last year waste management sector companies successfully participated in several public procurements, with long term contracts starting waste management in new local markets.

The Group closed the year 2019 with a historically highest turnover of EUR 70.62 mln. (2018: EUR 64.78 mln) which is a 9% growth from 2018. The growth of turnover was driven both by recycling and waste management sectors. The Group's net profit in 2019 was EUR 2.54 mln. compared to EUR 2.36 mln. in 2018. Net profit increased by 7%.

In the last year Group's companies made investments in the production lines, technical collateral, equipment and vehicle fleet. Investments were made to improve the quality of production, products, service and to increase competitiveness of the companies. The polymer processing companies were facing a great challenge in availability of virgin products in the market which made it difficult to maintain profitability. Due to the unfavorable situation in PET markets, investments in productivity and efficiency helped to grow turnover of recycling sector and maintain market shares in Europe. At the same time one of the main focusses in 2019 was to improve working environment and labor safety.

Future prospects

In 2020, the Group's management plans to keep focus on further development of recycling sector, ensuring more sustainable growth of the Group. The Group companies are continuously working to improve their services and products, as well as the customer service.

It is planned to further increase profitability of the Group companies by rendering the existing processes more effective and searching for creative and innovative solutions for the utilization of the existing recycling capacities.

The Group companies will continue implementing the LEAN methods, providing the required training to all employees in order to optimize processes and resources and improve productivity and also labor safety.

It is also planned to continue investments in automation and enhanced efficiency of the production processes to improve productivity, the product quality and value added, as well as production capacities as needed.

The Group's environmental management segment will continue expanding availability of their services in the Latvian market in 2020. They intend to actively participate in the tenders in Latvia where the subject matter of procurement is related to the business of the Group companies. In accordance with the development strategy and investment plan of the Group companies the Group is planning and making investments in equipment to ensure quality performance of the agreements and to facilitate development of other services and demand for them in the market.

The Group's management will work on implementing the LEAN systems in the Group companies, as well as on improving the IT systems for more efficient management.

Subsequent events

Due to the rapid escalation of Covid-19 and WHO announcement of pandemic situation, in 12th March 2020 Latvian government approved the state of emergency and adopted strict precautionary measures to ensure and control social-distancing. These measures are aimed to minimize the risks of further spread of Covid-19 among Latvian residents. In the same time these measures are already impacting economic activity. As Eco Baltia's recycling companies are exporters, they might be impacted also by measures introduced in other countries.

In order to limit possible negative impacts on the business, both recycling and waste management companies have introduced strict precautionary measures and rescheduled the process in all the workplaces, by maximum eliminating risks of prevalence of the disease between employees. Recycling companies have also determined the geographic scale of their clients, debtors are under supervision and cash flows are under control.

In the beginning of the February 2020 Riga City council closed public procurement on waste management. "Eco Baltia vide" Ltd. was announced as the winner in the territory of Vidzemes suburb and Ziemelu area. From the 20th of May 2020 "Eco Baltia vide" Ltd. has to start provision of services under the new treaties.

The concession contract with AO "Tīrīga" is currently suspended, has not been terminated and the Riga Council has not reimbursed the investments made.

This Management Report was signed on behalf of the Company on 9 April 2020 by:

Kaspars Fogelmanis,
Board Member

Jānis Aizbalts,
Board Member

Santa Spūle,
Board Member

Ingus Skadmanis,
Board Member

Salvis Lapiņš,
Board Member

Consolidated statement of comprehensive income for 2019

	Notes	2019 EUR	2018 EUR
Net turnover	3	70 622 335	64 781 505
Cost of sales	4	(57 683 950)	(51 082 401)
Gross profit		**12 938 385**	**13 699 104**
Selling and distribution expenses	5	(3 060 539)	(2 391 033)
Allowance on accounts receivable	20,21	(168 432)	(310 222)
Administrative expenses	6	(6 463 926)	(5 681 734)
Other operating income	7	864 693	505 278
Other operating expenses	8	(601 366)	(2 385 883)
Finance income	9	48 476	58 789
Finance costs	10	(635 041)	(541 575)
Loss by equity method attributable to the associated companies	11	(1 320)	(680)
Profit before tax		**2 920 930**	**2 952 044**
Deferred corporate income tax	12	(382 950)	(595 405)
PROFIT FOR THE REPORTING YEAR		2 537 980	2 356 639
Other comprehensive income for the year after tax		-	-
Total comprehensive income for the year after tax		2 537 980	2 356 639
Profit and comprehensive income attributable to:			
Majority interests		**2 449 621**	**2 431 079**
Non-controlling interests	27	**88 359**	**(74 440)**

The accompanying notes on pages 11 to 50 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 9 April 2020 by:

Kaspars Fogelmanis,
Board Member

Jānis Aizbalts,
Board Member

Santa Spūle,
Board Member

Ingus Skadmanis,
Board Member

Salvis Lapiņš,
Board Member

Consolidated statement of financial position for the year ended at 31 December 2019

	Notes	31.12.2019 EUR	31.12.2018 EUR
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments	14	220 600	62 412
Prepayments for intangible investments	14	5 540	70 488
Goodwill	15	35 221 102	35 226 591
Total intangible investments		**35 447 242**	**35 359 491**
Property, plant and equipment			
Land, buildings and constructions		2 568 019	2 563 639
Right-of-use assets		9 669 712	-
Non-current investments in leased property, plant and equipment		744 396	905 020
Equipment and machinery		9 746 821	12 076 855
Other property, plant and equipment, and inventories		3 341 587	4 952 045
Construction in progress		491 055	977 066
Prepayments for property, plant and equipment		327 851	244 348
Total property, plant and equipment	16	**26 889 441**	**21 718 973**
Non-current financial investments			
Other securities and investments	17	6 300	6 300
Investment in associates	18	-	1 320
Prepaid expenses	23	8 264	21 301
Other loans	21	132 000	-
Other non-current receivables		34 000	34 000
Total non-current financial assets		**180 564**	**62 921**
Total non-current investments		**62 517 247**	**57 141 385**
Current assets			
Inventories	19	**6 762 662**	**4 026 918**
Receivables			
Trade receivables	20	4 108 317	3 926 542
Corporate income tax	12	65 388	249 011
Other loans	21	8 043	-
Other receivables	22	340 141	415 872
Prepaid expenses	23	177 653	178 975
Accrued income	24	2 346 845	2 152 156
Total receivables		**7 046 387**	**6 922 556**
Cash and cash equivalents	25	**2 358 011**	**3 312 767**
Total current assets		**16 167 060**	**14 262 241**
TOTAL ASSETS		**78 684 307**	**71 403 626**

The accompanying notes on pages 11 to 50 form an integral part of these consolidated financial statements.

Consolidated statement of financial position for the year ended at 31 December 2019

	Notes	31.12.2019 EUR	31.12.2018 EUR
LIABILITIES			
Equity			
Share capital	26	41 707 900	41 707 900
Consolidated reserves	27	(996 928)	(996 928)
Retained earnings brought forward		7 660 240	5 229 161
Profit for the reporting year		2 449 621	2 431 079
Equity attributable to the shareholders of the Parent Company		**50 820 833**	**48 371 212**
Non-controlling interests		1 030 256	941 897
Total equity		**51 851 089**	**49 313 109**
Liabilities			
Non-current liabilities			
Loans from credit institutions	28	3 605 885	6 206 803
Obligations under finance leases	29(a)	2 444 864	2 424 918
Lease liabilities	29(b)	2 565 287	-
Deferred income	34	1 984 462	2 281 200
Deferred income tax liability	12	978 355	595 405
Total non-current liabilities		**11 578 853**	**11 508 326**
Current liabilities			
Loans from credit institutions	28	2 461 818	2 513 810
Obligations under finance leases	29(a)	1 566 108	1 590 690
Lease liabilities	29(b)	1 279 826	-
Prepayments received from customers	30	195 457	282 959
Trade payables	31	5 199 298	3 077 101
Corporate income tax	12	54 296	21 392
Taxes payable	32	654 057	430 436
Other payables	33	812 978	874 481
Deferred income	34	322 374	324 701
Unpaid dividends		-	44 300
Accrued liabilities	35	2 672 929	1 346 987
Derivative financial instruments	36	35 224	75 334
Total current liabilities		**15 254 365**	**10 582 191**
Total liabilities		**26 833 218**	**22 090 517**
TOTAL EQUITY AND LIABILITIES		**78 684 307**	**71 403 626**

The accompanying notes on pages 11 to 50 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 9 April 2020 by:

Kaspars Fogelmanis,
Board Member

Jānis Aizbalts,
Board Member

Santa Spūle,
Board Member

Ingus Skadmanis,
Board Member

Salvis Lapiņš,
Board Member

Consolidated statement of changes in equity for the year 2019

	Share capital EUR	Consolidated reserves EUR	Retained earnings EUR	Equity attributable to the shareholders of the Parent Company EUR	Non-controlling interests EUR	Total equity EUR
Balance as at 31 December 2017	41 707 900	(996 928)	5 229 161	45 940 133	1 104 928	47 045 061
Profit for the reporting year	-	-	2 431 079	**2 431 079**	(74 440)	**2 356 639**
Dividends paid	-	-	-	-	(88 591)	**(88 591)**
Balance as at 31 December 2018	41 707 900	(996 928)	7 660 240	48 371 212	941 897	49 313 109
Profit for the reporting year	-	-	2 449 621	**2 449 621**	88 359	**2 537 980**
Balance as at 31 December 2019	41 707 900	(996 928)	10 109 861	50 820 833	1 030 256	51 851 089

The accompanying notes on pages 11 to 50 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 9 April 2020 by:

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Ingus Skadmanis,
Board Member

Salvis Lapiņš,
Board Member

Consolidated statement of cash flows for the year 2019

	Notes	2019 EUR	2018 EUR
CASH FLOWS USED IN/FROM OPERATING ACTIVITIES			
Profit before tax		2 920 930	2 952 044
Adjustments for:			
Depreciation and amortization	14,16	5 608 148	3 767 786
Interest payments and similar expense	10	635 041	541 575
Interest (income) and similar income	9	(9 034)	(7 006)
Loss / (Gain) on disposal of property, plant and equipment		107 231	(2 499)
Revaluation of derivative financial instruments	9	(39 442)	(51 783)
(Income) from external co-financing		(331 402)	(402 112)
Changes in provisions and allowances	33	(119 626)	176 019
Goodwill impairment	15	5 489	2 107 404
Loss from investment in associates		1 320	680
Profit before adjustments for the effect of changes in current assets and current liabilities		**8 778 655**	**9 082 108**
Adjustments for:			
(Increase) in receivables		(159 271)	(250 128)
Increase/(decrease) in payables		3 733 747	440 254
(Increase) in inventories		(2 735 744)	(634 206)
GROSS CASH FLOWS TO/FROM OPERATING ACTIVITIES		**9 617 387**	**8 638 028**
Interest paid		(568 664)	(537 004)
Interest income		285	-
Corporate income tax paid		(74 851)	(264 921)
Net cash flows from operating activities		**8 974 157**	**7 836 103**
CASH FLOWS TO/FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible investments		(4 035 993)	(4 378 304)
Proceeds from sale of property, plant and equipment		54 728	75 525
Acquisition of shares in associates and other companies		-	(2 100)
Loans granted		(139 600)	-
Loans repaid		1 300	-
Net cash flows (used in)/from investing activities		**(4 119 565)**	**(4 304 879)**
CASH FLOWS TO/FROM FINANCING ACTIVITIES			
Proceeds from borrowings	28	43 144	1 525 270
Repayment of borrowings	28	(2 694 043)	(2 246 490)
Repayment of the lease liabilities*		(1 278 444)	-
Payments of obligations under finance leases**		(1 842 272)	(1 883 686)
EU co-financing		6 567	33 617
Dividends paid		(44 300)	(44 291)
Net cash flows (used in)/from financing activities		**(5 809 348)**	**(2 615 580)**
Net cash flow for the reporting year		**(954 756)**	**915 644**
Cash and cash equivalents at the beginning of the year		**3 312 767**	**2 397 123**
Cash and cash equivalents on the reporting	25	**2 358 011**	**3 312 767**

*The line indicated is in respect of the application of IFRS 16 in the current year only.
**The line indicated is in respect of the IAS 17 comparatives only.

The accompanying notes on pages 11 to 50 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 9 April 2020 by:

Kaspars Fogelmanis,
Board Member

Jānis Aizbalts,
Board Member

Santa Špūle,
Board Member

Ingus Skadmanis,
Board Member

Salvis Lapiņš,
Board Member

Notes to the consolidated financial statements for the year 2019

1. General information

The core business activity of AS Eco Baltia and its subsidiaries (hereinafter – the Group) is provision of waste management services. The Group is the largest environmental management group in the Baltics in terms of turnover. The Group consists of the companies that operate in four different waste management segments, providing a wide variety of services ranging from (i) organization of the packaging management system to (ii) waste collection, to (iii) sorting and sale of recyclables, as well as (iv) recycling.

The Group Parent Company is AS Eco Baltia (hereafter – Eco Baltia).

The subsidiaries of the Group are as follows:

- SIA "Nordic Plast" (registered office: Rūpnīcu iela 4, Olaine; LV 2114). The core business activity of SIA "Nordic Plast" is the recycling of secondary raw materials (various polyprophylen materials).
- AS "PET Baltija" (registered office: Aviācijas iela 18, Jelgava, LV 3004). The company's business is the recycling of PET bottles in Latvia.
- SIA "Eco Baltia vide" (registered office: Getliņu iela 5, Stopiņi municipality, Rumbula, LV 2121). The company's core business activities include environmental management, trucking services, collection and disposal of solid and liquid waste, non-mechanized and mechanized cleaning services.
- SIA "Eko Kurzeme" (registered office: Ezermalas iela 11, Liepāja, LV 3400). Its core business is waste management.
- SIA "Vaania" (registered office: Krasta iela 105, Riga, LV 1019). The company's core business is business and management consulting. The company has a right of management of P SIA Jumis on the basis of a concession agreement.
- P SIA "Jumis" (registered office: Blaumaņa iela 10, Sigulda, LV 2150). The core business activity of P SIA "Jumis" is the management of dry municipal waste and packaging waste, the collection of construction waste and bulky waste, sewage disposal, the lease of production premises, etc. The company is managed by SIA "Vaania" on the basis of a concession agreement.
- AS "Latvijas Zaļais punkts" (registered office: Krasta iela 105, Riga, LV1019) In accordance with the cooperation agreements entered into with the Ministry of Environmental Protection and Regional Development of the Republic of Latvia, AS "Latvijas Zaļais punkts" is introducing and implementing the producer responsibility systems in the field of packaging waste management, the management of waste electric and electronic equipment (WEEE) and wastes of goods harmful to the environment (WGHE) in Latvia. AS "Latvijas Zaļais punkts" owns 100% shares in SIA "Eko Reverss".
- SIA "Eko Reverss" (registered office: Krasta iela 105, Riga, LV 1019). SIA "Eko Reverss" is a company operating the systems for collection of secondary raw materials.
- SIA "MRTL" (registered office: Krasta iela 105, Riga, LV 1019). The company's registered business profile is real estate management.
- SIA "Eco Teh Baltia" (registered office: Krasta iela 105, Riga, LV1019) The registered business activity of the company is the sale of waste management machinery and equipment.
- SIA "Eco Baltia grupa" (registered office: Krasta iela 105, Riga, LV1019) The company's core business is business and management consulting.
- SIA "Polimēru parks" (registered office: Krasta iela 105, Riga, LV1019) The company's core business is the recycling of sorted materials.
- UAB "Eco Baltia Aplinka" (registered office: M.Valančiaus g. 1A, Viļņa, LT 03155). The company's core business activity is planned as waste management.

2. Group's Significant Accounting Policies

2.1. Summary of Group's Significant Accounting Policies

(a) Basis of preparation

These are the Group's seventh consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU.

The accounting policies set out in notes (b) to (u) have been applied in preparing the consolidated financial statements for the year ended 31 December 2019; the presented comparative information covers the year ended 31 December 2018.

New and amended IFRS Standards that are effective for the current year

The Group has adopted the following amended standards, including any amendments to other standards arising therefrom, for which the initial application date was 1 January 2019. The guidelines that took effect on 1 January 2019 and their impact on the Group's financial statements is described below:

- **IFRS 16 "Leases"** – issued by IASB on 13 January 2016, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019). Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – issued by IASB on 12 October 2017, adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019). The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – issued by IASB on 7 February 2018, adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019). The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – issued by IASB on 12 October 2017, adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019). Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

2.1. Summary of Group's Significant Accounting Policies (continued)

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – issued by IASB on 12 December 2017., adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019), Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – issued by IASB on 7 June 2017, adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019). It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements, except IFRS 16 "Leases" as disclosed in Note 2.2. Changes in accounting policies.

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020), issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
  a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
  b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
  c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
  d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018, adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020). Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done 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.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of issuing these financial statements 31 March 2020 (the effective dates stated below is for IFRS as issued by IASB):

2.1. Summary of Group's Significant Accounting Policies (continued)

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017 (effective for annual periods beginning on or after 1 January 2021). The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period), issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022). The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - issued by IASB on 30 January 2014, the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments) issued by IASB on 11 September 2014 (effective date deferred indefinitely until the research project on the equity method has been concluded. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

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

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

(a) Principles of consolidation

Amounts presented in these consolidated financial statements have been acquired from the accounting records of the Group's subsidiaries prepared in accordance with the accounting requirements of Latvia, by making according adjustments for the presentation, measurement and presentation thereof according to the requirements of the International Financial Reporting Standards approved by the EU. The consolidated financial statements have been prepared on the historical cost basis except positions which are stated at their fair values. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.

In the consolidated financial statements functional and presentation currency of the AS Eco Baltia, as well as all subsidiaries thereof is the monetary unit of the European Union euro (hereinafter referred to as – EUR). All the amounts presented in the consolidated financial statements are presented in EUR, unless specified otherwise.
Account balances on 31 December 2019 reflect financial situation of the Group at the end of the relevant day.

(b) Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to revenue recognition, useful lives of property, plant and equipment, evaluation of doubtful receivables and obsolete inventories, as well as impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. Key estimates and assumptions used in the preparation of these consolidated financial statements are described below:

2.1. Summary of Group's Significant Accounting Policies (continued)

(i) Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed annually and changed, if necessary, to reflect the management's current view in the light of technological changes, the remaining prospective economic useful life of assets and their physical condition. Information on the useful lives of property, plant and equipment has been reflected in Annex (f) to the accounting policy.

(ii) Carrying amounts of a property, plant and equipment

The Group's management reviews the carrying amounts of intangible assets and property, plant and equipment, and assesses whenever indications exist that the assets' (including goodwill) recoverable amounts are lower than their carrying amounts. Taking into consideration the Group's planned level of activities and the possible market value of the assets, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as at 31 December 2019.

(iii) Inventories

The Group estimates the net realizable value to determine an impairment loss incurred on inventories. Typically, the net realizable value is determined for each item separately; if it is not possible, historical experience is used to estimate the possible impairment loss. The Group's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional significant allowance as of 31 December 2019.

(iv) Revenue recognition

Principles of revenue recognition have been described in the accounting policies No. (n).

(v) Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. Principles of impairment calculations are described in the accounting policies No. (h)

(vi) *Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions recognized in the consolidated financial statements are the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are used only for expenditures for which the provisions were originally recognized and are reversed if an outflow of resources is no longer probable.

Provisions for restructuring costs include employee termination benefits and are recognized in the period when the Group takes on legal or logical obligations to pay out such expenses, i.e., when the Group has developed a detailed formal plan for the restructuring and notified the persons, who will be affected thereby, of commitment to implement this plan. A restructuring provision includes only the direct expenditures arising from the restructuring.

The Group has assessed its present obligations (legal or constructive) arising from past events and has determined that no additional provisions should be recognized as at 31 December 2019.

(vii) Assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see Note 15).

(viii) The calculation of deferred tax liabilities

In the reporting year, the Group has recognised the provisions for the deferred corporate income tax in the amount of EUR EUR 382 950 (2018: 595 405) in accordance with IAS 12 Income Taxes, applying the rate of 20 per cent as laid down in the regulatory enactments of the Republic of Latvia, to the profits of the Group's reporting years EUR 1.914 million (2018: EUR 2.977 million), where result of the reporting year is profit, which have historically paid dividends to the shareholders and which may pay out dividends in the foreseeable future.

(ix) Uncertain tax position

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

2.1. Summary of Group's Significant Accounting Policies (continued)

(c) Consolidation

(i) Subsidiaries

The consolidated financial statements include subsidiaries that are controlled by the Group Parent Company.

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Periods for the preparation of financial statements of the Group Parent Company and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies.

The cost method is used to account for the acquisition of subsidiaries, other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values on the acquisition date.

Financial statements of the Group Parent Company and subsidiaries thereof have been consolidated in the Group's financial statement by consolidating the respective assets, liabilities, revenue and expense items.

Non-controlling shareholding in the performance indicators of the subsidiaries and equity has been reflected separately in the accordingly consolidated income statement, change of equity statement and financial condition statement.

(ii) Elimination of mutual transactions

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. During the consolidation process, all mutual transactions between the Group's companies, balances, unrealised profit and losses from mutual transactions between the Group's companies have been fully excluded.

(d) Foreign currency translation

All transactions in foreign currencies are converted into EUR according to the currency exchange rate set by the European Central Bank on the day of the transaction. On the balance sheet date, monetary assets and liabilities in foreign currency are revalued according to the currency exchange rate set by the European Central Bank.

Currency exchange rates set by the European Central Bank:

	31.12.2019	**31.12.2018**
1 EUR / 1 USD	1.1189	1.1454

(e) Intangible investments

(i) Goodwill

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is disclosed in intangible assets section.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is performed annually or more frequently if events or changes in circumstances indicate that it might be impaired. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income.

2.1. Summary of Group's Significant Accounting Policies (continued)

Any negative amount of goodwill is recognized in profit or loss, after the management reassesses whether it has identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Goodwill is not amortized; instead, it is tested for impairment at the end of each financial period. Following initial recognition, goodwill is measured at purchase cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed. See details in Note 15.

(ii) Other intangible investments

Other intangible investments mainly comprise costs of software and licences. Where computer software is an integral part of the related hardware that cannot operate without that specific software, it is treated as property, plant and equipment.

Other intangible assets are stated at acquisition cost less accumulated amortisation and any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, where the carrying amount of the intangible investment is greater than its estimated recoverable amount, which is the highest of the net sales value and use value of the intangible investment, the carrying amounts thereof are reduced immediately to the recoverable value by including the difference in profit or losses. Review for indications of impairment is carried out at each reporting date.

Recoverable value of intangible assets, which are not yet ready to be used, is determined annually, irrespective of whether there is any indication that it may be impaired. For the purposes of assessing impairment, intangible investments are grouped at the lowest level, for which there are separately identifiable cash flows.

Intangible assets are amortized using the straight-line method over their useful lives. Useful life of other intangible investments is as follows:

	Useful lives, years
Software and licences	2–10

(f) Property, plant and equipment

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

	Useful life, years
Buildings and structures	20–50
Equipment and machinery	5–15
Other property, plant and equipment	2–12

Land is not depreciated, as its useful life is assumed to be infinite.

The useful life and residual value of an asset is reviewed at least at each financial year-end. The effect from a change in the estimated useful life of an asset is recognized in profit or loss in the current period and future periods.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount, which is the higher of an asset's net selling price and value in use, recognizing the difference in profit or loss. Review for impairment is carried out at each reporting date. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows.

Any profit or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss statement in the year the item is derecognised.

Investments in leased assets are capitalised and amortised within the shortest period between the lease period or useful life of the completed improvements.

Purchase costs of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Interest costs on borrowings to finance the construction of property, plant and equipment and other operating costs directly attributable to the construction of property, plant and equipment (costs of own labour, materials and other costs) are capitalized as part of the cost of the asset during the period that is required to complete and prepare the property for its intended use.

2.1. Summary of Group's Significant Accounting Policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred

(g) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(h) Financial assets

Group's assets include trade receivables and cash and cash equivalents. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Purchase or selling of financial assets, the assets of which in accordance with the regulations or market conventions should be transferred in due course (regular transactions) are recognised on the date of transaction, i.e., on the date, when the Group undertakes to purchase or sell the asset.

(ii) Subsequent measurement

After the initial measurement, financial assets, except for the assets recognized at fair value, are measured at the amortised cost by applying effective interest rate method less impairment. Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate.

(iii) Derecognition

A financial asset is derecognized if:

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

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

2.1. Summary of Group's Significant Accounting Policies (continued)

(iv) Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and accrued income without a significant financing component, the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables.

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

(I) Financial liabilities

(i) Initial recognition and measurement

The Group's financial liabilities consist of accounts payable to suppliers and contractors, loans with interest rate and other liabilities.

Financial liabilities have been presented as financial liabilities assessed in amortised cost within the framework of IFRS. Group determines classification of financial liabilities at the moment of initial recognition thereof. All the financial liabilities are initially presented in the fair value, plus directly attributable transaction costs.

(ii) Later measurement

After the initial recognition, accounts payable to suppliers and contractors, loans with interest rate and other liabilities are assessed accordingly in the amortised cost by applying effective interest rate method. Profit or losses are recognised in the profit or loss statement at the moment, when financial liabilities are derecognised, as well as by applying effective interest rate amortisation process.

Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate. Effective interest rate amortisation has been included in the profit or loss item "financing costs".

(iii) Derecognition

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

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

(iv) Mutual offsetting of financial instruments

Financial assets and liabilities are offset and net amount is presented in the statement on financial position only in case of valid legal rights to perform mutual offsetting and recognise the amounts, and there is intent to perform net settlements or sell the asset and settle the liabilities at the same time.

2.1. Summary of Group's Significant Accounting Policies (continued)

(j) Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group as a lessee

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

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

The Group did not make any such adjustments during the periods presented.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2.1. Summary of Group's Significant Accounting Policies (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this Appendix).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss (see Note 31).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

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

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases wee charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases were recognised as an expense in the period in which they are incurred.

2.1. Summary of Group's Significant Accounting Policies (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition is measured for as follows:
- consumables and finished goods are measured at cost of purchase applying "first in first out" (FIFO) method;
- net realizable value is the estimated selling price in the ordinary course of business, less less all estimated costs of completion and costs necessary to make the sale. Net realizable value is stated as cost less provisions.

(l) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements.
Contingent liabilities are disclosed in Note 42 and Note 43. Contingent liabilities are not recognised as liabilities unless the possibility of an outflow of resources is sufficiently reasoned. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits related to the transaction will reach the Group, is sufficiently probable.

(m) Employees' benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses and other benefits.

(n) Corporate income tax and deferred corporate income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax.

Current tax

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate has increased from the 15% to 20%, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

Deferred tax

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

As a Parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary's profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

2.1. Summary of Group's Significant Accounting Policies (continued)

(o) Revenue recognition

15 IFRS, adopted by the Group in 2018, relates to the revenue recognition and determine principles of reporting useful information to the users of financial system on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer. In order to determine, when and in what amount revenue should be recognised, the companies apply five-step model. Model provides for that revenue is recognised when the Group transfers control over the goods or services to a customer and in the amount that the Group expects to receive in exchange of the goods or services. Depending on compliance with particular criteria, revenue is recognized:

- Over time by reflecting the Company's performance indicators; or
- Upon the transfer of the control over the goods or services to the customer.

15 IFRS stipulates principles the Group should comply with to present qualitative and quantitative information, which would provide the users of the financial statements with useful information on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer.

The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations. The standard is applicable to the reporting periods beginning on or after 1 January 2018, and it may be applied before the set deadline.

Internal revenue recognition policies for various types of contract with customers have been analysed determining the related liabilities, schedule for the compliance with these liabilities, transaction price and assignment thereof to determine possible differences in relation to the revenue recognition model in accordance with the new standard. No significant differences thereof have been established. 15 IFRS provides for that the asset should be recognised as additional costs, which have arisen by acquiring the following contracts with customers and in relation to which recovery of such costs is foreseeable. The currently applied practice of the Group means that there are no contractual costs to be capitalised.

Revenue gained from contracts with customers is recognised on the basis of compliance with the liabilities of customers. Revenue reflect transfer of goods or services to the customers at the amount, which reflects remuneration, which the Group expects to receive in exchange of such goods or services. On the basis of this recognition model, sale is recognised, when services are provided to a customer and if customer has accepted them even if no invoice has been issued therefor, and if there is a possibility that the economic benefits related to the transaction will be directed in the Group. Accounting policies of the main types of income of the Group are described below.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Provision of services	Key types of the services provided by the Group are: household waste management and waste sorting, construction debris and bulky waste management, clean-up of premises and territories, packaging waste management, environmentally hazardous waste management, seasonal environmental services, organisation of packaging management system etc. services. Using the Executor's waste bins, the Client accumulates dry household waste, as well as removal of sorted recyclable materials. The Executor undertakes to provide regular waste removal according to the schedule agreed in the Contract. The Client undertakes to provide removal of household waste, construction debris, sorted waste, as well as delivery of the necessary waste bins to the construction object.	Revenue generated from the services is recognised during the period of provision of these services according to the requirements and conditions of the contract. Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately – in the period of provision of the service.
Sale of goods	The Seller undertakes to sell, but the Purchaser undertakes to purchase and pay for the produced goods in accordance with the order. Risk of destruction, damage or other kind of loss of the Products transfers to the Purchaser at the moment of receipt of Products and mutual signing of the Contract for the International Carriage of Goods by Road (CMR). Property right to the Products transfer from the Seller to the Purchaser at the moment, when full payment is made.	Revenue from the selling of goods are recognised at the moment of transfer of control over the goods concerned, which is usually the moment, when the Group has sold or supplied goods to the client, the client has accepted the goods, and recovery of debt of the relevant debtor is justified.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Interest income	-	Interest income or costs of all financial instruments, which have been accounted in the depreciated purchase value, are accounted by applying the actual interest rate, namely, the rate, which actually discounts the estimated future cash revenue throughout the period of the useful utilisation of the financial instrument or – depending on circumstances – within shorter period of time to the accounting value of the respective financial asset or financial condition of liabilities. Interest income from time deposits and cash balances are classified as financial revenue.
Other income	-	Other revenue from provision of services is recognised during the period of provision thereof. Other revenue from selling of materials is recognised, when the purchaser has accepted them.

(p) Dividends

Dividends are recognised in the consolidated financial statements of the Group in the period in which they are approved by the Group's shareholders and the shareholder's right to receive payment has been established.

(q) Subsequent events

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

(r) Determination of fair value

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

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

Information to be included in the Annex of certain Group's accounting policy and consolidated financial statements require determination of fair value of financial and non-financial assets and liabilities

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

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

When applicable, further information about the assumptions made in determining fair values is disclosed in the consolidated financial statements specific to that asset or liability.

2.1. Summary of Group's Significant Accounting Policies (continued)

The carrying value of the Group's current financial assets and liabilities is assumed to approximate to their fair value. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate market interest rates available at the end of the reporting period. The Group's interest-bearing liabilities are subject to the market rates, therefore, carrying amounts are considered as the fair value thereof.

(s) Government grants

Grants are recognised at the moment, when the Group has sufficient assurance that the Group will be able to comply with the conditions related to them and the grants will be received.

Grants are disclosed in the profit or loss in the period, when the Group recognises in expenses the costs, which are compensated from the received grants. Thus, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognized as deferred income in the consolidated statement of financial position and recognised in profit or loss on a systematic and rational basis over the useful lives of the related assets.

(t) Factoring

Factoring is the crediting of current assets against receivables. Proceeds received in accordance with factoring agreements are recognized as prepayments from customers when the Group or Parent Company remains exposed to credit risk associated with the respective receivable. The Group derecognises financial asset if it transfers substantially all of the risks and rewards of ownership, the balance of the related debtor is reduced accordingly.

(u) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Group classifies all other liabilities as non-current.

2.2. Changes in Accounting Policies

Impact of initial application of IFRS 16 *Leases*

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2.1. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

2.2. Changes in Accounting Policies (continued)

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

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

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

2.2. Changes in Accounting Policies (continued)

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

(d) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 2%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	EUR
Operating lease commitments at 31 December 2018	**4 843 683**
Short-term leases and leases of low-value assets	**(646)**
Effect of discounting the above amounts	**(334 702)**
Finance lease liabilities recognised under IAS 17 at 31 December 2018	**4 508 335**
Lease liabilities recognised at 1 January 2019	**4 508 335**

3. Net turnover

	2019	2018
Income from processing of recyclable raw materials	42 273 464	39 496 752
Income from waste management	17 511 304	13 390 440
Income from organisation of packaging management system	8 675 948	8 014 894
Income from sorting and sale of recyclables *	1 626 335	2 139 126
Other income	535 284	1 740 293
Total	**70 622 335**	**64 781 505**

Income by geographical markets are distributed as follows:

	2019	2018
Other Member States of the European Union	42 016 232	40 767 972
Republic of Latvia	26 877 782	23 548 865
Outside the Member States of the European Union	1 728 321	464 668
Total	**70 622 335**	**64 781 505**

* Decrease in income from sorting and sale of recyclables by 24% in 2019 compared to 2018 is related to closure of Chinese market for import of non-recycled raw materials, which significantly reduced prices of materials and demand in the market.

4. Cost of sales

	2019	2018
Raw materials and other material costs	26 178 107	24 331 005
Personnel costs	7 819 396	6 803 138
Waste utilization costs	6 495 427	4 798 069
Depreciation of property, plant and equipment and intangible investments*	5 359 367	3 587 903
Cost of production energy and other resources	3 540 559	3 092 820
Costs of outsourced services	2 852 938	3 042 189
Transport costs	2 676 405	2 035 957
State mandatory social insurance contributions	1 876 543	1 633 383
Professional services costs	209 963	200 812
Lease of industrial premises and related costs**	127 769	1 201 832
Insurance costs	51 865	33 724
Other production costs	495 611	321 569
Total	**57 683 950**	**51 082 401**

* Increase of depreciation charge in 2019 in comparison to 2018 is 49% in accordance to IFRS 16 implementation from 1 January 2019.

** Decrease of Lease of industrial premises and related costs by 89% comparing to 2018 relates to implementation of IFRS 16 from 1 January 2019.

5. Selling and distribution expenses

	2019	2018
Transport costs*	2 059 667	1 558 925
Advertising, marketing and public relations costs	369 823	266 814
Personnel costs	213 718	215 535
Intermediary services costs	116 146	145 312
Factoring commission expenses	91 137	62 757
Write-off of bad debts	52 293	13 641
State mandatory social insurance contributions	51 485	51 783
Postal services expenses	16 337	11 356
Other sales costs	89 933	64 910
Total	**3 060 539**	**2 391 033**

* Increase in transport costs by 32% is related to growth of production volumes, as well as increase of the proportion of the purchasers subject to delivery of goods, as well as further geographical locations.

6. Administrative expenses

	2019	2018
Personnel costs	3 023 016	2 750 368
Professional services costs	726 168	596 611
State mandatory social insurance contributions	720 711	652 465
Costs of legal services	374 485	270 560
Depreciation of property, plant and equipment and intangible investments	242 752	168 468
Transport costs	207 929	202 770
Lease of premises and office maintenance expenses	148 290	175 914
Annual report audit costs	135 165	92 729
Communications services expenses	116 924	82 415
Representation costs	102 662	79 891
Business trip expenses	98 070	85 001
Employee training costs	77 203	101 714
Insurance costs	52 610	35 525
Monitoring fee of financial resources	49 269	42 056
Bank commission fee	28 229	32 387
Other administrative expenses	360 443	312 860
Total	**6 463 926**	**5 681 734**

7. Other operating income

	2019	2018
Revenue from external co-financing	334 198	402 112
Revenue from lease of real estate	44 080	39 525
Net revenue from selling property, plant and equipment	-	2 499
Other revenue*	486 415	61 142
Total	**864 693**	**505 278**

*Increase in Other operating income in 2019 mainly relates to mandatory procurement component (obligātā iepirkumu komponente - OIK in latvian) repayment in amount of EUR 152 thousand and insurance compensation in amount of EUR 186 thousand.

8. Other operating expenses

	2019	2018
Non-business expenses	234 740	111 951
Net losses from selling property, plant and equipment	107 231	-
Fines	28 735	34 054
Real estate tax	19 648	20 005
Net losses from fluctuations of foreign currency rates	10 137	49 655
Depreciation of property, plant and equipment and intangible investments	6 029	11 415
Write off/ impairment of goodwill*	5 489	2 107 404
Donations	3 500	5 000
Other costs	185 857	46 399
Total	**601 366**	**2 385 883**

*See Note 15

9. Finance income

	2019	2018
Profit from changes in fair value of the derivative financial instruments	39 442	51 783
Interest income for loans	9 034	7 006
Total	**48 476**	**58 789**

10. Finance costs

	2019	2018
Interest payments for loans from credit institutions	375 164	390 054
Interest on obligations under finance leases*	113 941	79 896
Interest on lease liabilities**	72 426	-
Commissions for entry into contracts	73 510	71 625
Total	**635 041**	**541 575**

*The line indicated is in respect of the IAS 17 comparatives only.

**The line indicated is in respect of the application of IFRS 16 in the current year only.

11. Loss by equity method attributable to the associated companies

	2019	2018
Expenses from participation in the capital of associated companies*	1 320	680
Total	**1 320**	**680**

*See Note 18

12. Deferred corporate income tax

	2019	2018
Deferred tax expense	382 950	595 405
Total	**382 950**	**595 405**

Changes of deferred tax:

	31.12.2019	31.12.2018
Deferred corporate income tax liabilities:		
Distributable profit of subsidiaries for dividends*	(382 950)	(595 405)
Deferred corporate income tax liabilities	**(382 950)**	**(595 405)**

*The Group has recognised in the reporting year the provisions for the deferred corporate income tax in the amount of EUR 382 950 (2018: 595 405) in accordance with IAS 12 Income taxes, applying the rate of 20% laid down in the tax regulations of the Republic of Latvia, to the profits of the reporting year generated by these Group companies EUR 1.914 million (2018: EUR 2.977 million), where financial performance of reporting year results in profit, which have historically paid dividends to the shareholders and which may pay out dividends in the foreseeable future.

Comparison of the actual corporate income tax with the theoretically calculated one:

	2019
Profit before tax	2 920 930
Theoretically calculated corporate income tax applying 20% rate	**584 186**
Impact of the share of profit, which is not to be appropriated in the foreseeable future	(62 979)
Impact caused by the losses by group companies	(138 257)
Tax expenses:	**382 950**

Corporate income tax is reflected in the following items of consolidated financial statements:

Assets:	2019	2018
Corporate income tax	65 388	249 011
Total	**65 388**	**249 011**
Liabilities:		
Corporate income tax	(54 296)	(21 392)
Deferred tax liabilities	(978 355)	(595 405)
Total	**(1 032 651)**	**(616 797)**

13. Personnel costs and number of employees

	2019	2018
Remuneration for work*	11 056 130	9 769 041
State mandatory social insurance contributions	2 648 739	2 337 631
Total	**13 704 869**	**12 106 672**

*Remuneration for work costs have grown by 13% in 2019, which is mainly related to increase in the number of employees due to additional production capacities, as well as increase of the average wage.

13. Personnel costs and number of employees (continued)

Including remuneration for work paid to the top management, board and council officials:

	2019	2018
Remuneration for work	363 948	399 278
State mandatory social insurance contributions	87 199	95 696
Total	451 147	494 974

	2019	2018
Average number of employees in the reporting year	831	778

14. Intangible investments

	Licences, trade marks and other intangible investments	Prepayments for intangible investments	Licences, trade marks and other intangible investments total
Acquisition value			
31.12.2017	**510 560**	-	**510 560**
Acquired	13 780	70 488	84 268
Liquidation	(4 789)	-	(4 789)
31.12.2018	519 551	70 488	590 039
Acquired	206 757	-	206 757
Liquidation	(3 153)	(64 948)	(68 101)
31.12.2019	723 155	5 540	728 695
Accumulated depreciation			
31.12.2017	**406 028**	-	**406 028**
Calculated	55 900	-	55 900
Amortisation of liquidated assets	(4 789)	-	(4 789)
31.12.2018	457 139	-	457 139
Calculated	48 569	-	48 569
Amortisation of liquidated assets	(3 153)	-	(3 153)
31.12.2019	502 555	-	502 555
Balance sheet value			
31.12.2018	62 412	70 488	132 900
31.12.2019	220 600	5 540	226 140

15. Goodwill

	2019	2018
Balance at the beginning of the reporting year	35 226 591	37 333 995
Goodwill write off/impairment	(5 489)	(2 107 404)
Balance on the reporting date	35 221 102	35 226 591
including		
Recycling of raw materials	*19 607 084*	*19 607 084*
Waste management	*12 740 491*	*12 745 980*
Organisation of packaging management system	*2 873 527*	*2 873 527*

Goodwill of the Group is determined as difference between the acquisition value of the companies purchased during the previous reporting periods and value of net assets, value of participation of minority shareholders and the minority shareholding before the purchase. At the end of each financial period, possible impairment in the asset value is assessed, and the Group determines the recoverable amount of the relevant cash-generating unit (CGU) to which goodwill has been allocated. The Group considers as CGU the subsidiaries to which goodwill has been allocated. Goodwill is accounted by the acquisition costs thereof minus the accumulated losses due to impairment in value.

Goodwill generated by the purchased companies is reflected by segments of the economic activity – Recycling (SIA "Nordic Plast" and AS "PET Baltija"), Waste management (SIA "Eko Kurzeme", SIA "Eco Baltia Vide", Siguldas P SIA "Jumis", Organisation of packaging management system (AS "Latvijas Zaļais punkts").

15. Godwill (continued)

Assessment of recoverable value

The Group management verified recoverability of intangible values, as well as value of property, plant and equipment and intangible investments. Recoverable value was determined by applying the income approach, which is based on the assumption that the company's current value is closely related to the future income to be generated by the Group's companies.

Calculation of value is based on several assumptions:

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years.
- Income and expenses are forecast on the basis of actual performance indicators for the last three years, taking into account changes in the operational volumes depending on the entered into cooperation contracts and the planned development tendencies in the relevant sector.
- In order to calculate current value of the company, the Group's management applied discount rate of 9.6% to all companies (average weighed capital price) (2018: 11%).
- Increase in cash flow in the amount of 1.5% is assumed for the post-forecast period, which, in the opinion of the Group's management, corresponds to the average non-current growth rate across the sector.

During the verification of recoverability of intangible values in 2018, the Group's management established need to recognise impairment of intangible value in the amount of EUR 2 107 404, which has been recognised in the Sorting and trade of recyclable materials segment (SIA "Eko Reverss") in the amount of EUR 1 405 557 and in the Organisation of packaging management system segment (AS "Latvijas Zaļais punkts") in the amount of EUR 701 847. There is no impairment recognised in 2019.

Sensitivity assumptions:

An increase in discount rate by 0.1% or decrease in long term growth rate by 0.25%, or a decrease in projected 2020 annual sales volume by 2%, or a decrease in annual gross profit margin by 0.25% will result in an impairment of SIA "Nordic Plast" goodwill

An increase in discount rate by 0.3% or decrease in long term growth rate by 0.5%, or a decrease in projected 2020 sales volume by 2.5%, or a decrease in annual gross profit margin by 1% will result in an impairment of AS "PET Baltija" goodwill.

An increase in discount rate by 0.25% or decrease in long term growth rate by 0.5%, or a decrease in projected 2020 sales volume by 2%, or a decrease in annual gross profit margin by 0.75% will result in an impairment of SIA "Eko Kurzeme" goodwill.

16. Property, plant and equipment

	Land, buildings and constructions	Non-current investments in leased property, plant and equipment	Equipment and machinery	Other property, plant and equipment, and inventory	Construction in progress	Payments on account for property, plant and equipment	Total
Acquisition value							
31.12.2017	**2 994 460**	**1 913 766**	**18 148 258**	**12 848 560**	**722 346**	**1 728 125**	**38 355 515**
Acquired	3 000	298 464	3 095 065	2 709 390	630 242	135 717	**6 871 878**
Reclassified	55 798	213 403	1 580 436	127 685	(375 522)	(1 619 494)	**(17 694)**
Excluded	(136 610)	-	(21 157)	(434 236)	-	-	**(592 003)**
31.12.2018	**2 916 648**	**2 425 633**	**22 802 602**	**15 251 399**	**977 066**	**244 348**	**44 617 696**
Acquired	70 434	166 548	935 197	2 356 137	179 029	304 954	**4 012 299**
Reclassified	-	7 736	641 660	237 095	(665 040)	(221 451)	-
Excluded	-	(42 779)	**(100 781)**	(1 087 755)	-	-	**(1 231 315)**
Adjustment for change in accounting policy, see note 2.2.*	-	-	(2 910 120)	(4 384 204)	-	-	(7 294 324)
31.12.2019	**2 987 082**	**2 557 138**	**21 368 558**	**12 372 672**	**491 055**	**327 851**	**40 104 356**
Accrued depreciation							
31.12.2017	**365 411**	**1 169 524**	**8 871 177**	**9 240 523**	-	-	**19 646 635**
Calculated	57 491	351 089	1 875 727	1 427 579	-	-	**3 711 886**
Excluded	(69 893)	-	(21 157)	(368 748)	-	-	**(459 798)**
31.12.2018	**353 009**	**1 520 613**	**10 725 747**	**10 299 354**	-	-	**22 898 723**
Calculated	66 054	334 908	1 600 686	1 003 905	-	-	**3 005 553**
Excluded	-	(42 779)	(37 756)	(992 967)	-	-	**(1 073 502)**
Adjustment for change in accounting policy, see note 2.2.*	-	-	(666 940)	(1 279 207)	-	-	(1 946 147)
31.12.2019	**419 063**	**1 812 742**	**11 621 737**	**9 031 085**	-	-	**22 884 627**
Balance sheet value							
31.12.2018	2 563 639	905 020	12 076 855	4 952 045	977 066	244 348	21 718 973
31.12.2019	2 568 019	744 396	9 746 821	3 341 587	491 055	327 851	17 219 729

* As at 31 December 2018, equipment and machinery and other inventory included the following amounts where the Group was a lessee under finance leases. From 2019 leased assets are presented as a separate line item in the balance sheet, see "Right-of-use assets". Refer to note 2.2. for details about the changes in accounting policy.

16. Property, plant and equipment (continued)

Right-of-use assets*

	Land, buildings and constructions	Equipment and machinery	Other property, plant and equipment, and inventory	Total
Cost				
01.01.2019	4 321 352	-	186 983	4 508 335
Adjustment for change in accounting policy, see note 2.2.	-	2 910 120	4 384 204	7 294 324
Additions	542 796	21 434	1 814 262	2 378 492
Excluded	-	-	(51 998)	(51 998)
31.12.2019	4 864 148	2 931 554	6 333 451	14 129 153
Accumulated depreciation				
01.01.2019	-	-	-	-
Adjustment for change in accounting policy, see note 2.2.	-	666 940	1 279 207	1 946 147
Charge for the year	1 192 052	367 915	994 059	2 554 026
Excluded	-	-	(40 732)	(40 732)
31.12.2019	1 192 052	1 034 855	2 232 534	4 459 441
Balance sheet value				
31.12.2019	3 672 096	1 896 699	4 100 917	9 669 712

*In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'obligation under finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.2.

The Group leases several assets including manufacturing technique, machines, equipment. The average lease term is 5 years (2018: 5 years).

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in note 29.

Amounts recognized in profit and loss

	31.12.2019	31.12.2018
Depreciation expense on right-of-use assets	2 554 026	-
Interest expense on lease liabilities	72 426	-
Expense relating to leases of low value assets	32 406	-
Expense relating to short-term leases	5 664	-
Total	1 342 616	-

Depreciation of property, plant and equipment and amortisation of intangible investments

Total depreciation of property, plant and equipment and amortisation of intangible investments calculated within the Group have been included in the following items of profit or loss calculation:

	2019	2018
Production cost of goods sold (Note 4)	5 359 367	3 587 903
Administrative expenses (Note 6)	242 752	168 468
Other operating costs (Note 8)	6 029	11 415
Total	5 608 148	3 767 786

16. Property, plant and equipment (continued)

Pledged property, plant and equipment
See Note 28

Fully depreciated property, plant and equipment
On 31 December 2019, composition of the Group's property, plant and equipment included assets of the purchase value of EUR 8 877 471 (on 31.12.2018: EUR 7 383 982), which were fully written off in depreciation costs and which are still in active use in the economic activity

17. Other securities and investments

	31.12.2019	31.12.2018
Investment in "PRO Europe"*	6 200	6 200
Investment in "CREB" General partnership**	100	100
Total	6 300	6 300

*In 2005, 5% of the acquired capital shares in "PRO Europe" were registered in the name of the Group company AS "Latvijas Zaļais punkts". Equity of "PRO Europe" based on latest available data is EUR 158 000, which includes organisations of the movement "Zaļais punkts" ["Green Dot"] of other countries.

** In 2018, the Group's subsidiary SIA "Eco Baltia vide" Environment made a EUR 100 investment in the CREB General Partnership.

18. Investment in associates

Public	%	Initial investment	Write off	31.12.2018	31.12.2019
SIA "CREB Rīga", Vietalvas Street 5A, Riga	20	2 000	(2 000)	1 320	-
Total		2 000	(2 000)	1 320	-

In 2018, "Eco Baltia vide", the Group subsidiary invested EUR 2 000 in the associate SIA "CREB Rīga". Equity of the SIA "CREB Rīga" is EUR 10 000. Equity consists of 10 000 shares, par value of each share is EUR 1. In 2019 the associated company suffered loss in amount of EUR 11 081, therefore Group wrote down all investment.

19. Inventories

	31.12.2019	31.12.2018
Raw materials, basic materials and consumables	4 618 912	2 917 388
Finished products and goods for sale	2 064 237	1 069 477
Advance payments for goods	79 513	38 126
Other inventories	-	1 927
Total	6 762 662	4 026 918

All inventories are pledged and used as security of the Group's liabilities (see Note 28).

20. Trade receivables

	31.12.2019	31.12.2018
Carrying amounts of trade receivables	4 744 480	4 790 379
Allowances for doubtful receivables	(636 163)	(863 837)
Total	4 108 317	3 926 542

Trade receivables are not secured by pledges or other securities, which reduce credit risk.

Changes in provisions for doubtful and bad trade receivables:

	2019	2018
At the beginning of the reporting year	863 837	988 498
Increase of provisions	162 484	74 799
Decrease of provisions	(1 058)	(4 575)
Irrecoverable debtor's debts written-off during the year	(389 100)	(194 885)
On the reporting date	636 163	863 837

Provisions generated during the reporting period have been accounted in the consolidated unified income statements, separate row "Decrease of debtor and contractual asset value costs".

20. Trade receivables (continued)

Analysis of impairment of trade receivables on 31 December 2019:

	31.12.2019	31.12.2018
Repayment term is not expired	3 128 761	3 171 352
Delay up to 30 days	799 048	485 632
Delay of 31-90 days	174 556	131 192
Delay of 91-180 days	52 060	24 059
Delay of 181-365 days	52 678	92 984
Delay exceeding 365 days	537 377	885 160
Total	**4 744 480**	**4 790 379**

Generated provisions – general	**31.12.2019**	**31.12.2018**
Repayment term is not expired	31 917	-
Delay up to 30 days	23 430	6 110
Delay of 31-90 days	14 348	-
Delay of 91-180 days	9 079	8 007
Delay of 181-365 days	21 634	25 021
Delay exceeding 365 days	280 259	198 104
Total	**380 667**	**237 242**

Generated provisions – on individual basis	**31.12.2019**	**31.12.2018**
Repayment term is not expired	-	-
Delay up to 30 days	-	-
Delay of 31-90 days	-	-
Delay of 91-180 days	-	-
Delay of 181-365 days	12 137	10 228
Delay exceeding 365 days	243 359	616 367
Total	**255 496**	**626 595**

Generated provisions – total	**31.12.2019**	**31.12.2018**
Repayment term is not expired	31 917	-
Delay up to 30 days	23 430	6 110
Delay of 31-90 days	14 348	-
Delay of 91-180 days	9 079	8 007
Delay of 181-365 days	33 771	35 248
Delay exceeding 365 days	523 618	814 472
Total	**636 163**	**863 837**
Generated provisions – on individual basis	**255 496**	**626 595**
Generated provisions – general	**380 667**	**237 242**

Average repayment term of receivables is 40 days.

21. Other loans

Non-current loans	**Currency**	**Repayment term:**	**31.12.2019**	**31.12.2018**
Loan with the term over than one year	EUR	11.07.2021.	132 000	-
Total non-current loans			**132 000**	-
Current loans				
Loan with the term of up to one year	EUR	31.03.2020.	190 101	190 101
Loan with the term of up to one year	EUR	31.05.2020.	6 300	-
Total current loans			196 401	190 101
Allowances for doubtful receivables	EUR		(190 101)	(190 101)
Total current loans			**6 300**	-
Accrued interest	EUR		58 646	49 897
Allowances for doubtful receivables	EUR		(56 903)	(49 897)
Total accrued interest			**1 743**	-
Total other loans			**140 043**	-

21. Other loans (continued)

Changes in provisions for doubtful receivables"

	2019	2018
At the beginning of the reporting year	**239 998**	**-**
Increase of provisions	7 006	239 998
On the reporting date	**247 004**	**239 998**

Provisions generated during the reporting period have been accounted in the consolidated unified income statements, separate row "Decrease of debtor and contractual asset value costs".

Security
Loans granted were not secured in as of 31.12. 2019 (31.12.2018). On 31 December 2019, the Group assessed recoverability of the loans and concluded on recoverability of the assets, and recognised decrease of the asset value.

Loan interest rates

On 31 December 2019, loan interest rate was from 3.5% to 6% (on 31.12.2018: from 3.5% to 6%)

22. Other receivables

	31.12.2019	31.12.2018
Value-added tax overpayment	177 181	260 981
Current guarantee deposits	81 688	81 687
Advance payments for suppliers	52 214	20 861
Security	15 461	29 236
Settlement person debts	470	46
Other debtors	13 127	23 061
Total	**340 141**	**415 872**

23. Prepaid expenses

Non-current part:	**31.12.2019**	**31.12.2018**
Insurance	-	685
Other	8 264	20 616
Total	**8 264**	**21 301**
Current part:		
Insurance	55 276	51 184
Subscription fee	22 018	17 676
Other	100 359	110 115
Total	**177 653**	**178 975**
Total deferred costs	**185 917**	**200 276**

24. Accrued income

	31.12.2019	31.12.2018
Contractual assets – accrued income from organisation of packaging management system	2 346 845	2 152 156
Total	**2 346 845**	**2 152 156**

Contractual assets mainly include rights to receive remuneration for the provided organisation of packaging management system services, for which invoices have not yet been issued. These rights are recognised in the composition of the current assets by coordinating exact volume of the service with customers and issuing respective invoices.

25. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash at bank	2 356 346	3 310 596
Cash in hand	1 615	1 882
Cash to be received	50	289
Total	**2 358 011**	**3 312 767**

Cash and cash equivalents by currency profile:

	31.12.2019	31.12.2018
EUR	2 358 011	3 312 767
Total	**2 358 011**	**3 312 767**

25. Cash and cash equivalents (continued)

Separate Group's companies use Group account services with the AS Luminor Bank Latvian Branch resulting in reduction of use of the granted credit lines by the funds in the Group's accounts, see Note 28 "Loans from credit institutions". Cash in current accounts of the banks is mostly kept in the bank, which has received Aa3 with stable outlook from the international rating agency Moody's (including non-current and current foreign and local currency deposit ratings), thus demonstrating that majority of the Group's funds are held with a bank, which has received good credit rating, and it is expected that the credit institution will be able to comply with all of its financial liabilities on timely basis. Information has been provided in accordance with Moody's rating information, which was publicly available in 2019 and up to the date of signing of these financial statements.

26. Share capital

On 31 December 2019, the paid-in share capital of the Group was EUR 41 707 900 (31.12.2018: EUR 41 707 900), which consists of 417 079 000 shares (31.12.2018: 417 079 000 shares). Par value of each share: EUR 0.10 (31.12.2018: EUR 0.10). All the shares have equal voting and dividend rights.

	31.12.2019	31.12.2018
Share capital, EUR	41 707 900	41 707 900
Number of shares	417 079 000	417 079 000
Par value of each share	0.10	0.10

27. Consolidated reserves and non-controlling interests

Consolidated reserves represent negative goodwill, net amount EUR 996 928.
EUR 311 179 resulting from the acquisition of 13.35% shares in the subsidiary AS "Latvijas Zaļais punkts" in April 2012. Consolidated reserves also include the result of the acquisition of 52.52% shares in the Group's subsidiary SIA"Eko PET" in February 2013, which resulted in recognition of negative adjustment in the equity of EUR (1 308 107).

The aforementioned transactions involved entities under common control, therefore, the net result of the transactions was reflected in the Group's equity.

Non-controlling interests (NI) on 31 December 2019 and 31 December 2018 was calculated on the basis of the amount of legal shareholding.

On 31 December 2019 and 31 December 2018, non-controlling interests was made by:
- 10% of non-controlling interests in the share capital of the P SIA "Jumis";
- 11.52% of non-controlling interests in the share capital of the AS "Latvijas Zaļais punkts";
- 8.97% of non-controlling interests in the share capital of the AS "PET Baltija";
- 11.52% of non-controlling interests in the share capital of the SIA "Eko Reverss";
- 10% of non-controlling interests in the share capital of the SIA "Vaania".

See below for summary of financial information on each of the Group's subsidiaries, in which there is non-controlling interests. Attached information on each of the Group's subsidiaries is before the elimination of mutual transactions within the framework of the Group.

27. Consolidated reserves and non-controlling interests (continued)

31 December 2019	PSIA "Jumis"	AS "Latvijas Zaļais punkts"	AS "PET Baltija"	SIA "Eko Reverss"	SIA "Vaania"	impact of deferred tax on NI	**Total**
Percentage NS	10%	11.52%	8.97%	11.52%	10%		
Non-current assets	320 934	4 454 214	8 340 019	3 832 075	28 457		
Current assets	162 449	3 891 598	9 295 125	991 829	4 631		
Non-current liabilities	(139 248)	(2 700 225	(3 435 088)	(487 817)	-		
Current liabilities	(153 670)	(2 213 503)	(9 902 814)	(175 534)	(4 193)		
Net assets	**190 465**	**3 432 084**	**4 297 242**	**4 160 553**	**28 895**		
Net assets are attributable to NI	19 047	395 376	385 463	479 296	2 890		
Revenue	1 018 304	8 711 340	37 221 701	155 393	17 542		
Profit for the financial year	83 306	843 010	153 973	(37 355)	(10 869)		
Other comprehensive income	-	-	-	-	-		
Total income	**83 306**	**843 010**	**153 973**	**(37 355)**	**(10 869)**		
Profit is attributable to NI	**8 331**	**97 115**	**13 811**	**(4 303)**	**(1 087)**	**(25 508)**	**88 359**
Other combined income is attributable to NI							
Cash flow from operational activity	141 042	844 547	173 058	116 948	(8 301)		
Cash flow from investing activities	(90 884)	(15 668)	(878 736)	14 538	-		
Cash flow from financing activities	(54 221)	(11 947)	1 133 812	(131 552)	-		
including dividends paid by NI	-	-	44 300	-	-		
Cash increase/(decrease), net	(4 063)	816 932	428 134	(66)	(8 301)		

See below for summary of financial information on each of the Group's subsidiaries, in which there is non-controlling shareholding for the previous reporting year.

27. Consolidated reserves and non-controlling interests (continued)

31 December 2018	PSIA "Jumis"	AS "Latvijas Zaļais punkts"	AS "PET Baltija"	SIA "Eko Reverss"	SIA "Vaania"	Impact of goodwill impairment on NI	Impact of deferred tax on NI	Total
Percentage NS	10%	11.52%	8.97%	11.52%	10%			
Non-current assets	123 279	4 146 808	7 459 277	3 043 931	28 457			
Current assets	102 632	3 082 618	5 486 917	1 214 448	11 792			
Non-current liabilities	(20 664)	(2 712 422)	(3 447 098)	(775)	-			
Current liabilities	(97 120)	(1 929 260)	(5 311 803)	(59 696)	(485)			
Net assets	**108 127**	**2 587 744**	**4 187 293**	**4 197 908**	**39 764**			
Net assets are attributable to NI	10 813	298 108	375 600	483 599	3 976			
Revenue	770 170	8 033 697	34 703 481	153 152	13 322			
Profit for the financial year	16 776	250 378	1 890 547	9 869	15 707			
Other comprehensive income	-	-	-	-	-			
Total income	**16 776**	**250 378**	**1 890 547**	**9 869**	**15 707**			
Profit is attributable to NI	**1 678**	**28 844**	**169 582**	**1 137**	**1 571**	**(242 773)**	**(34 479)**	**(74 440)**
Other combined income is attributable to NI								
Cash flow from operational activity	81 369	485 416	2 942 628	(21 474)	(18 114)			
Cash flow from investing activities	(41 145)	(118 831)	(1 792 230)	21 062	30 000			
Cash flow from financing activities	(48 798)	(2 956)	(983 101)	-	(1 980)			
including dividends paid by NI	-	-	44 291	-	-			
Cash increase/(decrease), net	(8 574)	363 629	167 297	(412)	9 906			

28. Loans from credit institutions

	Currency	31.12.2019	31.12.2018
Non-current loans			
Luminor Bank AS Latvian Branch (non-current part, repayable within 2-5 years)	EUR	3 605 885	6 206 803
Total		**3 605 885**	**6 206 803**
Non-current loan current part			
Luminor Bank AS Latvian Branch	EUR	2 459 405	2 509 475
Total		**2 459 405**	**2 509 475**
Loan interest			
Luminor Bank AS Latvian Branch	EUR	2 413	4 335
Total		2 413	4 335
Total current loans		2 461 818	2 513 810
Total loans from credit institutions		6 067 703	8 720 613

Loan interest rates

Within the Group of Eco Baltia, bank loans have been granted to 5 companies by the and of the year – SIA "Eco Baltia grupa", SIA "Eco Baltia vide", SIA "Eko Kurzeme", SIA "Nordic Plast", AS "PET Baltija".

Company	Currency	Total amount	Repayment term	Interest rate	31.12.2019	31.12.2018
SIA "Eco Baltia grupa"	EUR	14,000,000	17.09.2020	3 months EURIBOR +4.5%	899 273	1 977 523
SIA "Eco Baltia grupa"	EUR	7,457,160	29.01.2023	1 months EURIBOR +3.0%	1 954 713	2 538 607
SIA "Eco Baltia vide"	EUR	1,456,364	30.05.2022	1 months EURIBOR +2.5%	332 090	469 507
SIA "Eko Kurzeme"	EUR	1,155,000	29.04.2022	1 months EURIBOR +2.5%	165 892	236 987
SIA "Eko Kurzeme"	EUR	1,152,990	30.05.2022	3 months EURIBOR +3%	357 175	504 973
AS "PET Baltija"	EUR	3,528,000	30.12.2022	1 months EURIBOR +3%	301 943	399 870
AS "PET Baltija"	EUR	1,470,509	31.10.2022	3 months EURIBOR +2.5%	909 892	1 097 657
AS "PET Baltija"	EUR	1,883,600	30.06.2023	1 months EURIBOR +2.5%	764 112	883 164
AS "PET Baltija"	EUR	1,100,000	07.02.2020	3 months EURIBOR +2,8%, 3%	17 834	124 835
SIA "Nordic Plast"	EUR	1,509,234	29.12.2022	3 months EURIBOR +3.0%	362 366	483 155
Total					6 065 290	8 716 278

28. Loans from credit institutions (continued)

Credit line

On 31 December 2019, the Group's companies had credit line in the amount of EUR 5 856 000 (on 31.12.2018: EUR 6 656 000). All conditions set for the receipt of these credit resources were complied with. Available as at 31.12.2019. EUR 288 431 (2018: 2 249 234).

Factoring

In 30.04.2013 the Group has entered into factoring agreements with Luminor Līzings SIA.. The management of the Group believes that according to factoring arramgemnt the Group substantially transfers risks and rewards related to the factored receivables, therefore, it partially derecognises receivaibles at the moment cash is received from the factor. Amount of the receivables subject to the factoring arrangement amounts to EUR 1 986 826,38 (31.12.2018: EUR 1 600 588,00). The maturity of the factoring contracts is 31.05.2020.

Pledges

The Group's companies have received loans from Luminor Bank AS Latvian Branch (former Nordea Bank AB Latvian Branch). Obligations arising from the loan contracts of Luminor Bank are mutually subordinated between all the Group's companies. Pledged assets, capital shares or shares, real estate of the Group's companies for the benefit of Luminor Bank AS Latvian Branch and mutual guarantees, cession contracts for transfer of claims against debtors to the bank for the repayment of the outstanding amounts, as well as transactions with derivative financial instruments concluded with Nordea Bank AB (Kingdom of Sweden) and secured by assets and capital shares or commercial pledge of shares for the benefit of Nordea Bank AB serve as security of the granted financing. Subject of contract of the pledge of assets is the entire property of the Group's companies as the aggregation of property at the moment of pledging, as well as the future parts of this aggregation of property.

Additionally, the Group's companies use the leasing and factoring services provided by Luminor Bank AS Latvian Branch, as well as issuing of guarantees and letters of credit.

Covenants

See Note 39.

Loans movement

Changes arising from the obligations of financing activity

Changes in the obligations arising from financing activity may be reflected as follows:

In 2019	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2019	**8 720 613**
Received loans	43 144
Repaid loans	(2 694 043)
Calculated interest	291 941
Repaid interest	(293 952)
Liabilities from financing activity on 31.12.2019	**6 067 703**

In 2018	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2018	**9 594 054**
Received loans	1 525 270
Repaid loans	(2 403 046)
Calculated interest	390 054
Repaid interest	(385 719)
Liabilities from financing activity on 31.12.2018	**8 720 613**

29. (a) Obligation under finance leases

Disclosure required by IAS 17

Obligations under finance leases applies to the vehicles, special machinery, containers, production equipment, ventilation systems and other property, plants and equipment purchased by the Group with the initial lease period of 5–7 years. The Group's companies have possibility to purchase the aforementioned assets at the par value thereof at the end of the financial lease term. On 31 December 2019, effective interest rate applied to financial lease agreement was 3 month EURIBOR and added rate between 2.85% and 3.7% (31.12.2018: 3 month EURIBOR + 1.8% to 3.2%).

29. (a) Obligation under finance leases (continued)

Maturity terms of financial leasing liabilities are during the period from 2020 (2019) to 2023.

Minimum future lease payments within the framework of the financial lease together with the current value of net minimum lease payments have been reflected as follows:

	31.12.2019		31.12.2018	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	1 673 247	1 566 108	1 666 799	1 590 690
In a year, but not longer than five years	2 553 397	2 444 864	2 497 184	2 424 918
Total minimum lease payments	4 226 644	4 010 972	4 163 983	4 015 608
Financial costs	(215 672)		(148 375)	-
Current value of minimum lease payments	**4 010 972**	**4 010 972**	**4 015 608**	**4 015 608**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Treasury function.

29. (b) Lease liabilities

Disclosure required by IFRS 16

Matutrity analysis	**31.12.2019**
Year 1	1 279 826
Year 2 -5	2 565 287
Total	**3 845 113**

30. Prepayments received from customers

	31.12.2019	31.12.2018
Prepayments received for services and goods	195 457	282 959
Total	**195 457**	**282 959**

31. Trade payables

	31.12.2019	31.12.2018
Trade payables	5 199 298	3 077 101
Total	**5 199 298**	**3 077 101**

Average repayment term of accounts payable is 45 days for foreign companies and 30 days for other suppliers.

32. Taxes payable

	31.12.2019	31.12.2018
State mandatory social insurance contributions	472 170	285 387
Personal income tax	146 425	133 658
Value added tax	30 156	6 231
Natural resource tax	3 208	2 924
Light-duty vehicle tax	1 507	1 686
State business risk duty	330	289
Real estate tax	261	261
Total	**654 057**	**430 436**

33. Other payables

	31.12.2019	31.12.2018
Remuneration for work	580 926	514 416
Accruals for employees bonuses	191 371	355 021
Other	40 681	5 044
Total	**812 978**	**874 481**

34. Deferred income

	31.12.2019	31.12.2018
Non-current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	1 984 462	2 281 200
Total	**1 984 462**	**2 281 200**
Current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	322 374	324 701
Total	**322 374**	**324 701**
Total deferred income	**2 306 836**	**2 605 901**

35. Accrued liabilities

	31.12.2019	31.12.2018
Accrued liabilities for services and goods received *	2 037 376	753 971
Accrued liabilities for vacation pay reserve	635 553	593 016
Total	**2 672 929**	**1 346 987**

* Accrued liabilities mainly increase due to purchased goods in transi tin accordance to INCOTERM terms and conditions as at 31.12.2019.

36. Derivative financial instruments*

Liabilities at fair value	31.12.2019	31.12.2018
Interest rate swaps	34 231	73 673
Accrued interest	993	1 661
Total	**35 224**	**75 334**

*Derivative financial instruments are presented at fair value in the consolidated financial statements.

Interest rate swaps

Company	Currency	Principal as at 31.12.2019	Principal as at 31.12.2018	Maturity	Interest rate	31.12.2019	31.12.2018
SIA "Eco Baltia grupa"	EUR	905 846	1 992 860	15.09.2020	1.5%	7 827	34 299
SIA "Eco Baltia grupa"	EUR	918 405	1 298 435	30.05.2022	0.30%	8 370	13 015
SIA "Nordic Plast"	EUR	362 366	483 154	29.12.2022	0.38%	4 168	5 358
SIA "Eco Baltia vide"	EUR	332 090	469 507	30.05.2022	0.35%	3 238	5 125
SIA "Eko Kurzeme"	EUR	165 891	236 987	29.04.2022	0.35%	1 567	2 548
SIA "Eko Kurzeme"	EUR	357 176	504 973	30.05.2022	0.22%	2 673	3 753
AS "PET Baltija"	EUR	112 272	157 181	30.06.2022	0.38%	1 101	1 637
AS "PET Baltija"	EUR	301 943	399 870	15.12.2022	0.24%	3 117	3 883
AS "PET Baltija"	EUR	235 716	333 253	30.05.2022	0.30%	2 148	3 340
AS "PET Baltija"	EUR	17 834	124 834	07.02.2020	0.60%	22	715
Total						34 231	73 673

37. Transactions with related parties

In accordance with the definition included in IAS 24 "Related Party Disclosures" related parties are both legal entities and natural persons related to the Company as follows:

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii) Both entities are joint ventures of the same third party;
   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

37. Transactions with related parties (continued)

v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi) The entity is controlled or jointly controlled by a person identified in (a);

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Mutual balances and transactions between the Group Parent Company AS "Eco Baltia" and its subsidiaries, which are related companies, are eliminated for consolidation purposes and are not disclosed in this note. In the reporting year, the Group companies were involved in the following transactions with the top management officers and shareholders.

37 (a) Loans to related companies*

* See Note 21.

37 (b) Amounts owed to related companies*

	31.12.2019	31.12.2018
Related with the Eco Baltia Group	70 452	167 300
Total	**70 452**	**167 300**

*Balances due to related companies are reported in the balance sheet item "Accounts payable to suppliers and contractors".

37 (c) Services provided

	Services provided	
	2019	2018
Related with the Eco Baltia Group	181	203
Total	**181**	**203**

37 (d) Services received

	Services received	
	2019	2018
Related with the Eco Baltia Group	783 829	1 230 280
Total	**783 829**	**1 230 280**

37 (e) Loan and borrowing interest included in the profit and loss statement

	Loan interest income	
	2019	2018
Related with the Eco Baltia Group	7 006	7 006
Total	**7 006**	**7 006**

37 (f) Terms and conditions of transactions with related parties

Outstanding balances on as at the year end are unsecured, and settlements will be made in cash. There have been no guarantees provided or received for any related party receivables.

37 (g) Information on remuneration of the top management, board and council*

* See Note 13.

38. Financial risk management

In the ordinary course of business, the Group is exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management activities are undertaken to support the underlying operating transactions of the Group. The Group companies do not undertake any high risk transactions that would increase exposure to currency or interest rate risks.

Foreign currency risk
Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting year.

Interest rate risk
The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities (see Notes 28 and 29) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates.

Assuming that in 2020 non-current and current loans from credit institutions and finance lease liabilities would remain approximately at the same level as on 31 December 2019, an increase/decrease in interest rates by 1 percentage point would result in additional interest expense/decrease in interest expense by approximately EUR 155 thousand (2019: EUR 127 thousand).

The Group companies SIA "Eco Baltia grupa", SIA "Eco Baltia vide", SIA "Eko Kurzeme", SIA "Nordic Plast" and AS "PET Baltija" have non-current loans from credit institutions bearing interest at a floating EURIBOR rate; therefore, these companies are exposed to interest rate risk, which is hedged by means of interest rate swap contracts. According to these contracts, the floating 3-month EURIBOR rate is swapped with a fixed rate (see Note 36).

Credit risk
Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank (see Note 25), trade receivables (see Note 20) and issued non-current and current other loans (see Note 21).

Cash at bank
Credit risk related to cash at bank is managed by balancing the placement of financial assets in order to maintain the possibility of choosing the best offers and reduce the probability of financial losses. The Group companies evaluate credit ratings assigned to banks by international credit rating agencies and financial performance of banks on a regular basis.

Trade receivables
The Group companies have no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group maximum permissible exposure to credit risk is defined to the extent of the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by provisions made for doubtful and bad trade receivables. In addition Group uses factoring services.

Issued non-current and current loans
The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by provisions made for doubtful and bad trade receivables.

38. Financial risk management (continued)

Categories of financial instruments	31.12.2019 EUR	31.12.2018 EUR
Financial assets		
Cash at bank and on hand	2 358 011	3 312 767
Loans and receivables carried at amortized cost value	6 868 734	6 743 581
Total financial assets	**9 226 745**	**9 807 337**
Financial liabilities		
Financial liabilities carried at amortized cost value	24 915 829	20 684 991
Fair value of derivatives	35 224	75 334
Total financial liabilities	**24 951 053**	**20 760 325**

Liquidity Risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 28), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month have been received. The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be jeopardized. As at 31.12.2019. Groups current assets are EUR 912 695 more than current liabilities.

38. Financial risk management (continued)

The following table demonstrates contractual maturities of financial assets and liabilities:

31 December 2019	Accounting value EUR	Total contractual cash flows EUR	3 months or less EUR	From 3 to 12 months EUR	From 1 to 5 years EUR
Non-derivative financial liabilities					
Trade and other payables	11 187 498	11 187 498	11 187 498	-	-
Obligations under finance leases	4 010 972	4 490 746	460 620	1 246 925	2 783 201
Lease liabilities	3 845 113	4 132 254	345 956	1 037 118	2 749 180
Borrowings	6 067 703	6 775 946	732 792	2 013 637	4 029 517
Total non-derivative financial liabilities	**25 111 286**	**26 586 444**	**12 726 866**	**4 297 680**	**9 561 898**
Derivative financial liabilities					
Fair value of derivative instruments	35 224	-	-	-	35 224
Total derivative liabilities	**35 224**	-	-	-	**35 224**
Total non-derivative financial liabilities	25 146 510	26 586 444	12 726 866	4 297 680	9 597 122
Current financial assets					
Cash in bank and on hand	2 358 011	2 358 011	-	-	-
Trade receivables	4 108 317	4 108 317	-	-	-
Other assets	340 141	340 141	-	-	-
Other loans	8 043	8 043	-	-	-
Assets from customer contracts	2 346 845	2 346 845	-	-	-
Total current financial assets	**9 161 357**	**9 161 357**	-	-	-

38. Financial risk management (continued)

31 December 2018	Accounting value EUR	Total contractual cash flows EUR	3 months or less EUR	From 3 to 12 months EUR	From 1 to 5 years EUR
Non-derivative financial liabilities					
Trade and other payables	7 948 770	7 948 770	7 948 770	-	-
Finance lease liabilities	4 015 608	4 464 737	422 046	1 196 204	2 846 487
Borrowings	8 720 613	9 354 642	739 096	2 192 445	6 423 101
Total non-derivative financial liabilities	**20 684 991**	**21 768 149**	**9 109 912**	**3 388 649**	**9 269 588**
Derivative financial liabilities					
Fair value of derivative instruments	75 334	-	-	-	75 334
Total derivative financial liabilities	75 334	-	-	-	75 334
TOTAL	20 760 325	21 768 149	9 109 912	3 386 649	9 344 922
Current financial assets					
Cash in bank and on hand	3 312 767	3 312 767	-	-	-
Trade receivables	3 926 542	3 926 542	-	-	-
Other assets	415 872	415 872	-	-	-
Assets from customer contracts	2 152 156	2 152 156	-	-	-
Total current financial assets	9 807 337	9 807 337	-	-	-

Fair value

Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities is approximated to their fair value as at 31 December 2019 and 31 December 2018.

The Group recognizes derivative financial instruments at their fair value, and changes in fair value are recognized in the statement of comprehensive income as profit or loss.

The Group categorizes derivative financial instruments by the following levels of the fair value hierarchy. All other assets and liabilities, except for those mentioned, are allocated to Level 3.

Financial liabilities at fair value	Date of valuation	Total	Quoted (unadjusted) market prices	Significant inputs that are observable in the market directly or indirectly	Significant inputs unobservable in the market
			Level 1	Level 2	Level 3
Derivative financial instruments (Note 36)	**31.12.2019**	35 224	-	35 224	-
Derivative financial instruments (Note 36)	**31 12.2018**	75 334	-	75 334	-

39. Capital management

The Group manages its capital to ensure that the Group companies will be able to continue as a going concern, meanwhile maximizing the return to shareholders through the optimization of debt and equity balance.
The Group's capital structure consists of net debt (borrowings as detailed in Notes 28 and 29 offset by cash on hand and at bank) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).
The Group is not subject to any externally imposed capital requirements. The Group's management reviews the capital structure of the Group on an annual basis. Under these consolidated financial statements, the Group's management considers the capital structure and the risks associated with each class of capital.

Gearing ratio	**31.12.2019 EUR**	**31.12.2018 EUR**
Total assets	78 684 307	71 403 626
Debt (i)	13 923 788	12 736 221
Cash and cash equivalents (ii)	(2 358 011)	(3 312 767)
Net debt	11 565 777	9 423 454
Equity (iii)	51 851 089	49 313 109
Net debt to equity ratio	22%	19%
Gearing ratio	66%	69%

(i) Debt is defined as non-current and current borrowings (excluding derivative financial instruments and financial guarantee contracts), as described in Notes 28 and 29, and other borrowings;
(ii) Cash equivalent investments are defined as liquid investments, including deposits maturing within one year, investments in financial markets;
(iii) Equity includes all share capital and reserves of the Group that are managed as capital.

Besides, in accordance with the entered into loan, leasing and factoring contracts, the Group is obliged to ensure compliance with certain financial indicators:

- Gearing ratio (set at least 35%) is calculated as Total equity to Total assets ratio;
- Net financial debt to EBITDA ratio (not above 3.3 and not below zero), calculated by extracting cash and cash equivalents from financial debts and attributing them to Earnings before interest, taxes, depreciation and amortisation;
- DSCR – debt service coverage ratio – indicator (at least 1.1), which is calculated by adding EBITDA indicator and Interest revenue, from which Capital investments are deducted, attributing them to repayment of Total loan principles added to Interest expenses.

According to the management calculations performed using normalised EBITDA and other financial data as of 31.12 2019 the Group has complied with the above requirements.

40. Going concern

As at the end of the reporting year, the Group's current assets exceeded its current liabilities by EUR 913 thousand. The Group's management is confident that the Group companies will be able to meet their obligations and continue as a going concern. The financial statements have been prepared on the basis that the Group will continue to be a going concern.

41. Events after the reporting date

Due to the rapid escalation of Covid-19 and WHO announcement of pandemic situation, in 12th March 2020 Latvian government approved the state of emergency and adopted strict precautionary measures to ensure and control social-distancing. These measures are aimed to minimize the risks of further spread of Covid-19 among Latvian residents. In the same time these measures are already impacting economic activity. As Eco Baltia's recycling companies are exporters, they might be impacted also by measures introduced in other countries.

In order to limit possible negative impacts on the business, both recycling and waste management companies have introduced strict precautionary measures and rescheduled the process in all the workplaces, by maximum eliminating risks of prevalence of the disease between employees. Recycling companies have also determined the geographic scale of their clients, debtors are under supervision and cash flows are under control.

41. Events after the reporting date (continued)

In the waste management sector safety of employees also is one of the key priorities to ensure continuity of the services according to long term contracts. Great efforts are being made to successfully start working in Riga from May 20 according

to the regulations of new tender contract. Waste management companies closely follow changes in the market demand and works together with customers to deal with potential risks.

Latvian government has approved support package for employers which includes defer of tax payments, loan guarantees and loans for crisis solutions etc. These options are considered and evaluated by the management team of company, to be able to apply for them if needed.

At the moment of signing annual report, there is large uncertainty about possible economic development scenarios and the depth of recession. But the board of directors closely follows the actual situation and is taking all the available actions to manage risks and ensure business continuity.

On 06.04.2020 Group's parent company extended their board by electing new member.

New LoansIn the beginning of April 2020 the Groups Company SIA Eco Baltia Grupa concluded the ammendment to loan agreement with Lumninor bank AS for additional loan in amount of EAR 1 015 000, with due date end of March 2024.

In the beginning of the February 2020 Riga City council closed public procurement on waste management. "Eco Baltia vide"SIA was announced as the winner in the territory of Vidzemes suburb and Ziemelu area. From the 20th of May 2020 "Eco Baltia vide" Ltd. has to start provision of services under the new treaties.

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

42. Future commitments (lease agreements)

In accordance with the existing operating lease agreements, at the end of the reporting year the Group had the following non-cancelable future lease commitments:

	31.12.2019 EUR	31.12.2018 EUR
Up to 1 year	-	1 256 836
From 1 to 5 years	-	3 446 447
More than 5 years	-	140 400
Total lease agreements:	-	**4 843 683**

From 2019 leased assets are presented as a separate line item in the balance sheet, see "Right-of-use assets" in Note 16 and Note 29 (b) Lease liabilities. Refer to note 2.2. for details about the changes in accounting policy.

43. Contingent liabilities

	31.12.2019 EUR	31.12.2018 EUR
Liabilities arising from trade financing products:		
Trade financing products	1 087 313	645 898
Total	**1 087 313**	**645 898**

The Group's company AS PET Baltija has entered into an agreement with Luminor Bank AS on the issuance of guarantees and letters of credit subject to the total limit of EUR 1 100 000 (31 December 2018: EUR 1 900 000). The total limit expires on 31 October 2027.

At the beginning of 2018, investigation was commenced in the criminal proceedings regarding possibly suspicious transactions of the AS "Latvijas Zaļais punkts", its cooperation partners and competitors; no additional information is known at the moment of issuance of the statement, no charges have been brought against the AS "Latvijas Zaļais punkts". The Group's management considers it has acted in good faith and believes that any claims against the Group company are unfounded.

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Deloitte.

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Independent Auditors' Report

To the shareholders of "Eco Baltia" AS

Our Opinion on the Consolidated Financial Statements

We have audited consolidated financial statements of "Eco Baltia" AS and its subsidiaries (further - "the Group") set out on pages 6 to 50 of the accompanying annual report, which comprise:

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- information about the Group, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report,

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Deloitte Audits Latvia SIA
Licence No.43

Inguna Staša
Member of the Board
Certified Auditor of Latvia
Certificate No. 145
Riga, Latvia

April 9, 2020