2020

VILNIAUS KOGENERACINĖ JĖGAINĖ UAB

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT

Vilniaus kogeneracinė jėgainė

www.vkj.lt

Vilniaus Kogeneracinė Jėgainė UAB
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Company code 303782367

CONTENT

The annual financial statements of Vilniaus Kogeneracinė Jėgainė UAB were prepared and signed on 9 March 2021 by the Chief Executive Officer, the Director of Finance and Treasury, and the Head of the Accounting Consultations Unit of Ignitis grupės paslaugų centras, UAB, acting under Order No. IS-185-20 of 18/12/2020:

Mantas Burokas Chief Executive Officer	**Arūnas Žilys** Director of Finance and Treasury	**Dalia Motiejūnienė** Head of the Accounting Consultations Unit of Ignitis grupės paslaugų centras, UAB, acting under Order No. IS-185-20 of 18/12/2020

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Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholder of UAB Vilniaus kogeneracinė jėgainė UAB

Opinion

We have audited the accompanying financial statements of UAB Vilniaus kogeneracinė jėgainė (hereinafter the Company), which comprise the statement of financial position as of 31 December 2020, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit* of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.
We also have to evaluate, if the financial information included in the Company's 2020 Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 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 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the 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 auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

UAB ERNST & YOUNG BALTIC
Audit company’s licence No. 001335

Inga Gudinaitė
Auditor’s licence
No. 000366

9 March 2021

STATEMENT OF FINANCIAL POSITION

All amounts are in EUR thousand unless otherwise stated

	Notes	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets			
Intangible assets	5	934	247
Property, plant and equipment	6	268,304	237,978
Right-of-use assets	7	357	382
Receivables after one year		100	-
Deferred tax assets	20	695	333
Total non-current assets		**270,390**	**238,940**
Current assets			
Inventories		-	1
Prepayments		71	104
Loans granted	8	2,922	5
Trade receivables	9	1,162	12
Other receivables		484	149
Cash and cash equivalents	10	27,023	267
Total current assets		**31,662**	**538**
TOTAL ASSETS		**302,052**	**239,478**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	52,300	52,300
Unpaid share capital	11	-	(11,314)
Retained earnings (loss)	11	(5,362)	(2,559)
Total equity		**46,938**	**38,427**
Non-current liabilities			
Non-current loans*	13	139,633	99,881
Grants and subsidies	12	107,774	89,245
Lease liabilities	15	324	255
Provisions		2	-
Non-current liabilities		-	292
Total non-current liabilities		**247,733**	**189,673**
Current liabilities			
Current portion of non-current loans and current loans*	13	543	4,443
Current portion of lease liabilities	14, 15	41	126
Trade payables	16	387	80
Prepayments received	16	1,300	-
Other payables and liabilities*	17	5,110	6,729
Total current liabilities		**7,381**	**11,378**
Total liabilities		**255,114**	**201,051**
TOTAL EQUITY AND LIABILITIES		**302,052**	**239,478**

** Some presented amounts do not match with the set of financial statements for the year ended 31 December 2019 and reflect amendments disclosed in note 4.*

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

Vilniaus Kogeneracinė Jėgainė UAB, Company code: 303782367, address: Žvejų st. 14, LT-09310, Vilnius, Lithuania

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts are in EUR thousand unless otherwise stated

	Notes	As at 31 December 2020	As at 31 December 2019
Other revenue		119	-
Total other revenue		**119**	**-**
Payroll and related expenses	18	(1,760)	(608)
Other expenses	19	(1,629)	(699)
Financial income		113	41
Out of which interest expenses		*113*	*41*
Financial expenses		(8)	(9)
Out of which interest expenses		*(8)*	*(9)*
Total expenses		**(3,284)**	**(1,275)**
INCOME (EXPENSES) BEFORE TAX		**(3,165)**	**(1,275)**
Income tax income (expenses)		-	-
Deferred income tax income (expenses)	20	362	193
NET PROFIT (LOSS) FOR THE YEAR		**(2,803)**	**(1,082)**
Other comprehensive income (expenses)		-	-
TOTAL COMPREHENSIVE INCOME		**(2,803)**	**(1,082)**

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

STATEMENT OF CHANGES IN EQUITY

All amounts are in EUR thousand unless otherwise stated

	Notes	Share capital	Retained earnings (loss)	Total equity
Balance as at 1 January 2019		**36,600**	**(1,478)**	**35,122**
Increase in share capital	11	15,700	-	15,700
Unpaid share capital	11	(11,314)	-	(11,314)
Net profit (loss) for the reporting period		-	(1,082)	(1,082)
Total comprehensive income for the period		**4,386**	**(1,082)**	**3,304**
Balance at 31 December 2019		**40,986**	**(2,559)**	**38,427**
Balance as at 1 January 2020		**40,986**	**(2,559)**	**38,427**
Payment of share capital	11	11,314	-	11,314
Net profit (loss) for the reporting period		-	(2,803)	(2,803)
Total comprehensive income for the period		**11,314**	**(2,803)**	**8,511**
Balance at 31 December 2020		**52,300**	**(5,362)**	**46,938**

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

STATEMENT OF CASH FLOWS

All amounts are in EUR thousand unless otherwise stated

	Notes	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Net profit (loss) for the year		(2,803)	(1,082)
Adjustments to non-cash items:			
Depreciation and amortisation expenses	5,6,7	174	92
Income tax expenses (income)		(362)	(193)
(Decrease) increase in provisions		2	(19)
Elimination of results of financial and investing activities			
-Interest income		(113)	(39)
-Interest expenses		8	9
-Other financial income (expenses)			(1)
Working capital adjustment:			
(Increase) decrease in trade and other receivables		(1,580)	(58)
(Increase) decrease in inventories and prepayments		34	(101)
Increase (decrease) in payables, deferred income and prepayments		(192)	1,029
Net cash flows from/(to) operating activities		**(4,832)**	**(364)**
Cash flows from/(to) investing activities			
(Purchase) of property, plant and equipment and non-current intangible assets	5,6	(28,040)	(155,303)
Movement in cashpool account	14	(2,918)	7,477
Interest received		109	40
Grants received	12	18,529	60,853
Net cash flows from/(to) investing activities		**(12,320)**	**(86,933)**
Cash flows from/(to) financial activities			
Formation and increase of share capital by cash contributions	11	11,314	4,000
Loans received	14	40,000	84,306
Loans repaid		(4,421)	-
Lease payments		(114)	(78)
Interest paid		(2,871)	(1,220)
Net cash flows from/(to) financial activities		**43,908**	**87,008**
Net increase (decrease) in cash and cash equivalents		**26,756**	**(289)**
Cash and cash equivalents at the beginning of the year		267	556
Cash and cash equivalents at the end of the year		**27,023**	**267**

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

All amounts are in EUR thousand unless otherwise stated

1. General information

Vilniaus Kogeneracinė Jėgainė UAB (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. Its registered office is located at Žvejų st. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-oriented entity registered on 26 February 2015 in the Register of Legal Entities managed by the public institution the State Enterprise Centre of Registers. Company code is 303782367, VAT payer's code – LT100009225717. The Company has been founded for an indefinite period.

The Company's parent company is Ignitis grupė, AB. Until 6 September 2019, the parent company's title was Lietuvos energija, UAB, and was later changed to Ignitis grupė, UAB. Since 28 July 2020, Ignitis grupė, UAB was reorganised to a limited liability company. As at 31 December 2019, all the shares of Ignitis grupė, AB were held by the Republic of Lithuania, represented by Ministry of Finance of the Republic of Lithuania. On 7 October 2020, Ignitis grupė, AB increased its share capital and on October 7 issued new shares during the initial public offering of shares (IPO). As at 31 December 2020, the shareholder of Ignitis grupė, AB is Ministry of Finance of the Republic of Lithuania (holding 73.08% of shares) and retail and institutional investors (holding 26.92% of shares).

Shareholder of the Company	As at 31 December 2020		As at 31 December 2019	
	Share capital, EUR	%	Share capital, EUR	%
Ignitis grupė, UAB	52.300	100	52.300	100

The Company's financial year coincides with the calendar year. Share capital is described in more detail in Note 11.

As at 31 December 2020, the Company had 87 employees (as at 31 December 2019, 44).

The Company is engaged in building and preparing for operation the cogeneration power plant in Vilnius in order to produce energy by using residual waste from household recycling, as well as other waste which, because of its nature or composition, is similar to the waste from household, and bio-fuel.

As at 31 December 2020 and as at 31 December 2019, the Company did not have any subsidiaries.

These financial statements were prepared by the management of Vilniaus Kogeneracinė Jėgainė, UAB on 9 March 2021. The Company's shareholder has a statutory right to approve these financial statements or not to approve them and require the management to prepare a new set of financial statements.

2. Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements were as follows:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union effective as at 31 December 2020 and comply with these standards.

These financial statements have been prepared on a historical cost and going concern basis.

The Company's financial statements are presented in euro (EUR), which is the Company's functional and presentation currency, and all amounts are rounded to the thousand (1000 EUR), unless stated otherwise.

2.1.1 Adoption of new and (or) changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) that came into effect from 1 January 2020 and were approved for application in the European Union

Changes in accounting policy and disclosures

Accounting policies did not change except for the IFRS amendments, which the Company adopted from 1 January 2020 as follows:

- Conceptual framework in IFRS standards.

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

The Management of the Company has assessed that these amendments do not have any impact on these financial statements.

- IFRS 3: Business Combinations (Amendments)

  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

The Management of the Company has assessed that these amendments do not have any impact on these financial statements, however, it can have impact on the upcoming periods if the Company will perform any business combinations.

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

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

The Management of the Company has assessed that these amendments do not have impact on these financial statements.

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

  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

The Management of the Company has assessed that these amendments do not have impact on these financial statements.

2.1.2 Standards issued but not yet effective and not early adopted

New standards, amendments and interpretations that were not yet effective for the reporting period from 1 January 2020, and were not applied in preparing these financial statements, are presented below:

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

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

The Management of the Company has evaluated that these amendments will not have any impact on the financial statements.

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

The Amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. Due to COVID-19 pandemic, IASB have postponed the application of these amendments to 1 January 2023 in order to give entities more time to implement classification changes related to these amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the Company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

At the moment, the Management of the Company is evaluating the impact of these amendments on the financial statements.

- IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) and Annual Improvements to IFRSs 2018-2020 Cycle

  The Amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The IASB issued these narrow-application amendments of the following IFRS standards:
  - IFRS 3 Business Combinations amendments updated IFRS 3 reference to the Conceptual Financial Reporting Framework without changing the accounting requirements for business combinations
  - Amendments to IAS 16 Property, Plant and Equipment prohibit an enterprise from deducting from the cost of an item of property, plant and equipment income that is derived from an item of property, plant and equipment that is being prepared for its intended use. Instead, the enterprise will recognize such revenue and related expenses in the statement of profit or loss.
  - The amendments to IAS 37, provisions, contingent liabilities and assets, specify which costs an enterprise should include in determining contract costs to determine whether a contract is onerous.
  - 2018-2020 The annual improvements include minor amendments to the interpretative examples in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and IFRS 16 Leases.

These Amendments have not yet been endorsed by the EU. At the moment, the Management of the Company is evaluating the impact of these amendments on the financial statements.

- IFRS 16 Leases - Covid-19-related Rent Concessions (Amendments)

  The Amendments are applied retrospectively for annual periods beginning on or after 1 June 2020. Early application is permitted as in previous financial statements that were not yet signed until 28 May 2020. The IASB has amended the standard to exempt lessees who may not apply the lease change accounting provisions of IFRS 16 to lease discounts that are a direct consequence of the COVID-19 pandemic. The amendment provides a practical arrangement whereby a lessee may account for any change in lease payments related to COVID-19 lease discounts in the same way as in IFRS 16 if the change is not treated as a lease change only if all of the following conditions are met:
  - the adjusted lease payment for a change in rent is substantially the same as or less than the rent immediately before the change;
  - any reduction in lease payments affects only the payments that were due on 30 June 2021 or earlier;
  - other lease terms are not substantially changed.

The Management of the Company believes that the implementation of these amendments will not have a significant impact on the Company's financial statements because there were no significant discounts or concessions received and it is expected that they will not be received during the upcoming periods.

- Interest Rate Benchmark Reform, Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

  On 27 August 2020, The International Accounting Standards Board has published a document titled Reform of the Interest Rate Benchmark. Stage 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, thus completing its work in response to the IBOR reform: the amendments provide a temporary exemption to take account of interbank interest rates. the consequences for the financial statements of replacing the Interbank Offered Rates (IBOR) with an alternative risk-free interest rate (RFR). In particular, the amendments provide a practical measure to adjust the effective interest rate to reflect the change in the market interest rate to the extent that the market interest rate has changed. The amendments also provide for an exception to the requirement to terminate a hedging relationship, including a temporary exemption from the separate identification requirement when an RFR instrument is used as a hedging instrument for a risk component. In addition, the amendments to IFRS 4 provide that insurers that still apply IAS 39 may benefit from the same exemptions as those provided for in the amendments to IFRS 9. Amendments have also been made to IFRS 7 Financial Instruments. Disclosures "to enable users of financial statements to understand the impact of the reform of the interest rate benchmark on the entity's financial instrument and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 or later, with earlier application permitted. Although the amendments are applied retrospectively, the entity is not required to adjust the prior period information..

The Management of the Company has assessed that these amendments will not have any impact on the Company's financial statements.

Company intends to implement the changes in the standards described above at the date of their entry into force, subject to their approval by the EU.

2.2 Foreign Currency

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Gains and losses from these transactions/translations are recognized in the statement of profit or loss and other comprehensive income. Such balances are revalued based on currency rate at the end of the reporting year.

2.3 Intangible assets

Intangible assets are measured on initial recognition at cost. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of the assets can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives.*Licenses*
Amounts paid for licenses are capitalised and amortised over the period of validity of the licence.

Computer software

The cost of acquiring new software is capitalised and recognized as an intangible asset if the cots is not an integral part of the related hardware.

The Company applies the following amortisation rates for the intangible assets:

Intangible asset group	Average useful life (years)
Rights, patents and licences acquired	3
Other intangible assets	4

Expenses incurred to restore or maintain the expected economic benefit from the operation of existing software systems are recognised as expenses in the statement of profit or loss and other comprehensive income under the caption “Depreciation and amortization” in the period in which the support and maintenance work is carried out.

2.4 Property, plant and equipment

Property, plant and equipment are assets that the Company owns and controls, from which it expects to receive future economic benefits, which will be used for more than one year, and the acquisition value of which can be reliably measured.

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and assessed impairment losses.

Upon the disposal or write-off of assets their acquisition cost and accumulated depreciation are eliminated in the accounts and gain (loss) derived on their disposal is accounted for in the statement of profit or loss and other comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable acquisition taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repair and maintenance costs incurred after property, plant and equipment is brought into use are usually recognised in the income statement in the period when such costs arise Where it can be clearly demonstrated that those costs will lead to an increase in the economic benefits embodied in the use and/or an increase in the estimated economic life of the asset, costs are capitalised by adding them to the cost of the property, plant and equipment. The minimum value of property, plant and equipment applied by the Company is diversified according to the categories of assets.

Useful lives are reviewed regularly, ensuring that useful lie corresponds with the expected useful life of property, plant and equipment.

Construction in progress is stated at acquisition cost, less estimated impairment losses. Construction in progress comprises the cost of buildings, constructions and facilities and other directly attributable costs. Construction in progress is not depreciated for as long as the construction works have not been completed and assets have not been brought into use.

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

2.5 Financial Assets

2.5.1 Financial assets

The Company recognises financial assets in the Statement of Financial Position only when it becomes a party to the provisions of the contract of the financial instrument. Acquisition or disposal of financial assets is recognised using accounting of the transfer date.

Upon initial recognition, the Company measures financial assets at fair value, except for trade receivables, with the exception of trade receivables that do not contain a significant financing component. When financial assets are not measured at fair value, with the change recognised as profit or loss, the initial financial asset measurement includes instrument’s fair value and transaction costs, directly attributable to the acquisition of the financial asset.

Transaction costs include all taxes and commissions, that the Company would not pay if it did not sign the financial instrument contract.

If upon initial recognition financial asset fair value does not coincide with the transaction cost, the difference is recognised as profit or loss.

The Company classifies its financial assets into the following 3 new categories:
- (i) financial assets subsequently measured at amortised cost;
- (ii) financial assets subsequently measured at fair value through other comprehensive income; and
- (iii) financial assets subsequently measured at fair value through profit or loss.

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

The business model applied to the financial asset is based not only on approval but also on facts that can be observed from the Company's carried activities performed to obtain business model goals. When evaluating the business model to manage the asset, the Company decides not only considering individual factors or activities but also considering all available evidence in the assessment.

Depending on the business model applied when managing a group of financial assets, the accounting of financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Company and receivables are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position, in which case they are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

Financial assets at fair value through profit or loss

The Company recognises financial assets subsequently carried at fair value by recognising the change in fair value as profit or loss and applying a business model, with its goal reached by collecting cash flows stated in the contract and disposing of financial assets.

Effective interest method

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

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) without considering the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Derecognition of financial assets.

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

- if the Company has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

Impairment of financial assets - Expected credit loss

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The Company calculates cash flows taking into account all financial instruments within their expected useful lives, including cash flows from disposal of pledged collateral or increase in other credit value, which is an integral part of contract terms.

ECLs disclose weighted average of credit loss, evaluated taking into account respective default of liabilities.

Lifetime ECLs are ECLs arising due to probable liability defaults within the period from the initial recognition of financial assets until subsequent net-off of financial assets or write-off of financial assets.

The Company seeks to recognise ECLs before the financial instrument is default. Usually, credit risk increases significantly before the financial liability becomes default or there are other debtor default factors (i.e. amendment or restructuration). Therefore, if reliable information that is oriented to the future rather than to defaults can be obtained without incurring undue cost or effort, it should be taken into account when measuring the changes of credit risk.

ECLs are recognised taking into account individually or generally evaluated credit risk of loans granted and trade receivables, when the evaluation is based on confirmed information, including future-oriented information.

Trade receivables are recognised taking into account lifetime ECLs. Lifetime ECLs of trade receivables are measured using individual and general assessment. The decision of the Management of the Company on individual assessment is made considering the possibility to obtain information on a particular debtor credit history and financial state at the date of the assessment, including future-oriented information, which would disclose significant credit risk increase of a particular debtor, thus enabling a decision to be taken on the recognition of credit losses for a particular period of time in respect of a particular debtor. If there are no information sources on the credit history and financial state of the debtor at the assessment date, including future-oriented information, the Company assesses loan using the general assessment.

Lifetime ECLs for trade receivables are recognised upon the recognition of receivables.

The Company applies the following expected credit loss recognition stages to loans:

1. For loans, the Company recognises a 12-month ECL. Interest income is calculated from the carrying amount of the financial asset, not adjusted with the ECL.

2. If the credit risk, related to the debtors, significantly increases, the Company recognises the lifetime ECL. All the lifetime ECLs of the financial instruments are calculated only when there is significant increase of credit risk, related to the borrower. Loan interest income is calculated from the carrying amount of financial assets irrespective the ECLs. The latest moment when the Company recognises all lifetime ECLs of a loan granted is identified when the payments are 30 days past due.

3. If the recovery of the loan by the Company is assessed as uncertain, then the Company classifies such loans as credit-impaired financial assets due to credit risk (doubtful loans and receivables). Loan interest income is calculated from the carrying amount of such financial assets, which is decreased by the ECL.

The total amount of expected credit loss for loans receivable and trade receivables during the whole expected useful life is accounted through profit or loss using the contra-account of trade receivables.

Credit-impaired *financial assets*

Financial asset is impaired, when there is objective evidence of impairment, upon one or more events that negatively impact expected cash flows of the financial asset. Proof of impairment of financial asset, when there is objective evidence of impairment, is data based on observations of the following events:
a) receivables are past due more than 360 days;
b) significant financial difficulties of the debtor;
c) breach of contract, e.g. debt settlement or regular instalment payments past due;
d) discount provided to the debtor, which would not be granted otherwise due to economic or contractual circumstances, related to the debtor's financial difficulties;
e) increased possibility that debtor will go bankrupt or other financial reorganisation will be performed;
f) active financial asset market becomes extinct due to financial difficulties;
g) acquired or provided financial assets with a significant discount, that show credit losses incurred.

Impairment of financial assets, when there is objective evidence of impairment, can also be related to a few simultaneous events or events happening one after the other within the term of the financial asset contract.

Derecognition of financial assets

Financial assets are derecognised when:
• the term of contractual rights to receive cash flows expires;
• The Company retains the right to the cash flows but assumes the obligation to pay the full amount to a third party under a disposal agreement within a short period of time; or

• The Company transfers substantially all the risks and rewards of the financial asset property and / or (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains the risks and rewards of ownership of the financial asset but transfers the control of the asset: if the Company has not retained control, it derecognises the financial asset and all rights and obligations created or retained in the transfer are recognized as assets or liabilities;
• If the Company retains control, it continues to recognize financial assets to the extent that it continues to control the financial assets.

In assessing whether the Company has retained control of the transferred asset, the ability of the recipient to sell the asset is taken into account. If the transferee has the practical ability to sell all the assets to an unrelated third party and to do so unilaterally without additional restrictions on the transfer, the Company is considered not to have retained control. In all other cases, the Company is considered to have retained control.

2.5.2 Financial Liabilities

Financial liabilities are classified as financial liabilities carried at fair value through profit or loss or other financial liabilities.

Trade payables

Trade payables are recognised when the other party performs its contractual liabilities and are initially recognised at fair value and subsequently carried amortised cost, using the effective interest rate method.

Other financial liabilities

Other financial liabilities, including loans, after initial recognition are carried at fair value less directly attributable transaction costs.

After initial recognition, other financial liabilities are carried at amortized cost using the effective interest method (EIR). Interest expenses are recognised using EIR.

Effective interest rate method is a method when amortised cost of financial liabilities and interest expense distribution over the respective period. Effective interest rate – is an interest rate that exactly discounts assessed expected cash flows within the useful life of a financial liability or within a respective shorter period.

Financial liabilities are classified as current, unless the Company has an irrevocable right to defer liability due date for 12 months after the date of the financial statements.

Financial liabilities are classified as non-current when the financing contract signed until the balance sheet date proves that the liability at the balance sheet date was non-current.

Borrowing costs directly related to acquisition of assets, construction or assets that take relatively a lot of time (more than one year) to be prepared for use or disposal, with creation, preparation for use or disposal, are added to the acquisition value of this asset until it is prepared for use or disposal. Interest income, related to temporary borrowed funds investment until they are used or acquisition of the asset, is distracted from the asset acquisition cost.

Derecognition of financial liabilities

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

2.5.3 Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e. to realize the assets and settle the liabilities simultaneously. Enforceable right does not depend on future events and is legally enforced by the entity and all contractual parties both under normal course of business and in the case of default.

2.6 Cash and Cash Equivalents

Cash includes cash at the Company's bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, deposits and other short-term highly liquid investments.

2.7 Right-of-use Assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. From 1 January 2019 the Company recognizes a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

Initial measurement of right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognizes these costs as part of the cost of right-of-use asset when the Company incurs an obligation for these costs.

Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset at cost. Under the cost model, the Company measures a right-of-use asset at cost: less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use assets depreciated by the Company under the depreciation requirements of IAS 16, Property, Plant and Equipment.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Right-of-use asset group	Average useful life (years)
Land	54-77
Vehicles	4-5
Buildings	1-2

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company presents rights-of-use assets separately from intangible and tangible assets in the Statement of Financial Position.

2.8 Lease Liabilities

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid at that date.

At the commencement date, the lease payments included in the measurement of the lease liability comprise fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the assessed interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of current assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expenses.

2.10 Grants

Asset-related grants

Asset-related government and the European Union grants and third-party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the statement of profit or loss and other comprehensive income by reducing the depreciation charge of related asset over the expected useful life of the asset.

2.11 Employee benefits

2.11.1 Social Security Expenses

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

2.11.2 Severance

Severance is payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises severance when it is obviously committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to the laws of the Republic of Lithuania. A liability for such pension benefits is recognised in the statement of financial position and reflects the present value of these benefits at the date of the statement of financial position.

2.11.3 Bonus plans

The Company recognises liability and bonus expenses when it has a contractual liability or when a constructive liability arises from the past practice.

2.12 Income Tax and Deferred Income Tax

Income tax charge is based on profit for the year and considers deferred taxation. The income tax is calculated in accordance with tax legislation of the Republic of Lithuania.

In 2020 and 2019, a standard income tax rate of 15% was applicable to the companies in Lithuania

Tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that it is probable to reduce the taxable profit in the future. Deferred tax assets and liabilities are not recognised when temporary differences arise from goodwill (or negative goodwill) or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets have been recognised in the balance sheet to the extent the Company's management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.13 Contingencies

Contingent liabilities are not recognised in the financial statements They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.14 Revenue Recognition

The Company is engaged in projects (a test operation takes place in a part of the power plant, the other part is under construction), therefore it does not generate significant income.

Revenue from the sale of goods is recognised on delivery of the goods and on the transfer of risks and benefits of ownership of the goods.

2.15 Expense Recognition

Expenses are recognised in accordance with the principles of accrual and comparability in the accounting period in which the related income is earned regardless of the time of the issue. Expenditures incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

The amount of expenses is estimated by the amount of money paid or payable, excluding VAT.

2.16 Offsetting

When preparing the financial statements, assets and liabilities are not set-off except for cases when IFRS requires such set-off and it is described in this accounting policy.

2.17 Related Parties

Related parties are defined as shareholders, members of the Board, their close relatives, state-owned enterprises and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the other party, which is also recognised as a related party, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

The Company applies the exception provided in IAS 24 Related Parties for information disclosure on transactions made with governmental institutions or when they are controlled by governmental institutions. The Company recognises all significant transactions made with the Republic of Lithuania, represented by the Ministry of Finance of the Republic of Lithuania or entities that are governed by the Republic of Lithuania.

2.18 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 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. Fair value hierarchy comprises of three levels.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The following methods and assumptions are used to measure each type of financial asset and liability:

- The carrying amounts of current trade and other receivables, current trade payables and current loans are close to their fair values due to the short-term nature;

- The carrying amount of cash is equal to its fair value;

- The fair value of non-current loans and receivables after one year is determined based on the market price of the same or a similar loan or the interest rate that is applicable to loans of the same term at that time. The table below shows the fair value of the Company's borrowings based on Management's estimate of the interest rate applicable to similar loans at that time:

All amounts are in EUR thousand unless otherwise stated

	31/12/2020	31/12/2019
Financial instruments with their fair value disclosed		
Liabilities		
Fair value of non-current loans (level 2)	81,701	40,980
Total	**81,701**	**40,980**

2.19 Subsequent events

Events after the end of the reporting period that provide additional information about the Company's position at the date of the Statement of Financial Position (adjusting events) are reflected in the financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the Notes when material.

3. Key Accounting Estimates and Contingencies

While preparing the financial statements in accordance with International Financial Reporting Standards, the Company's Management makes certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of uncertainties. When there is a change in such assumptions and estimates, significant differences are likely to arise in the future that would require adjustments to assets and liabilities. Potential impact of COVID-19 and other factors on key accounting estimates, assumptions and contingencies has been assessed by the Company's Management.

3.1 COVID-19 impact on key accounting estimates, assumptions and contingencies

3.1.1 Going concern

The Management of the Company has assessed cash flows taking into account the probability of increase of bad debts, possible disruption of financing source attraction and infection of employees performing critical functions with COVID-19. While making such an assessment, all the accessible information on COVID-19 threats were taken into consideration. Assessing the possible impact of the principal COVID-19 factors on the Company's results, the Management of the Company did not find any threats to the Company's going concern.

3.1.2 Expected credit loss measurement

The Management of the Company has assessed past events, present and future economic conditions, known as at the date of these financial statements, while measuring ECLs due to COVID-19 impact. The Management of the Company has assessed that future economic position, as at 31 December 2020, does not change the model used in calculating ECLs due to COVID-19 of the Company's financial assets, compared to the generally used model. In addition, the Company has reviewed ECLs of financial assets, which are assessed individually and did not assess any significant impairment losses due to COVID-19.

3.1.3 Impairment measurement of property, plant and equipment and intangible assets

After reviewing the principal assumptions, the Management did not identified any significant circumstances related to COVID-19, which would result in preparation of impairment tests (of assets carried at acquisition cost less depreciation and impairment).

3.1.4 Financial instrument classification to non-current and current

The Management has also reviewed classification of loans granted and other receivables/payables to non-current and current but did not assess any circumstances that could significantly amend its classification.

3.1.5 Leases: reviewed lease terms and discount rates (accrued borrowing rate)

The Management has assessed all significant facts and circumstances that create an economic incentive to the Company as a lessor, to exercise or not exercise the following rights:

- exercise the right to extend lease term;
- exercise the right to acquire leased assets at the end of the lease term; or
- not to exercise the right to terminate lease before the end of the lease term.

The Company did not face any significant activity disruptions due to COVID-19. COVID-19 did not have any impact on the Company's expectations to exercise the above-mentioned rights. Also, the Company did not have any lease discounts granted due to COVID-19. The Management has concluded that it is not necessary to reassess lease liabilities due to COVID-19.

3.1.6 General information on COVID-19 impact on the Company activities

On 30 January 2020, the World Health Organisation (WHO) has declared a global emergency due to COVID-19 outbreak, and on 11 March 2020, the spread of this disease was defined as a pandemic. On 26 February 2020, the government of the Republic of Lithuania has declared a national emergency situation due to COVID-19, while on 14 March 2020 has adopted a Resolution No. 207 on the declaration of quarantine in the Republic of Lithuania from 16 March 2020 to 1 June 2020. From 17 December 2020, the quarantine has been restored and will be effective until 31 March 2021. During quarantine, the state has:

- Restrictions on the movement of residents through the borders and within the state (movement of goods is not restricted)
- Restrictions on private and pubblic sector activities
- The processes of education and childcare and educational activities in educational institutions are ceased or restricted
- Established the organisation of health care institution work and other.

During the quarantine, the Management of the Company has instructed all its employees that have the ability to work remotely, not to commute to work, not to hold and attend any meetings or events and organise meeting teleconferences using IT apps. The Company provides all conditions for effective remote work and does not incur any disruptions of its employees' direct functions' performance. Employees that cannot work remotely, are provided with all necessary protection instruments. During quarantine, the Company strictly complies with all the government recommendations due to a possible threat of COVID-19.

3.2 Impact of other factors on key accounting estimates and contingencies

Upon termination of the contract with the contractor in 2020 (Note 7), the Company assessed if it did not result in potential impairment indications of construction in progress related to the biofuel power plant. Based on the analysis performed, discounted cash flow model prepared and a technical inventory count report prepared by independent specialists, it is concluded that the net book value of construction in progress related to the biofuel power plant as at 31 December 2020 was not less than the recoverable value.

The Company has received a claim from AXIS Tech, UAB, more information is presented in Note 24.

As at 31 December 2020, the Company has been involved in litigation as a defendant or a third party (see Note 24). In the opinion of the Management, based on the available facts and circumstances, it is unlikely that the Company will incur any related liabilities in relation to these claims. In addition, the Company has assessed that it is entitled to receive penalties from the main contractors due to delays in the completion of the intermediate works. Though if the penalties are applied, the final receivable amount will be clear and accounted for only after all contractual obligations have been fulfilled.

4. Reclassified items of the Company's Statement of Financial Position

In order to provide clarity to the readers, the Company has decided to make certain reclassifications in the Statement of Financial Position. The respective reclassifications of comparative information were made in the financial statements for the year 2020.

As follows, the Company presents information on the reclassifications of data in the financial statements:

1. Transfer of outstanding loans from other receivables to a separate line "loans granted" in the statement of financial position
2. Transfer of trade receivables from other receivables to a separate line "trade receivables" in the statement of financial position
3. Transfer of the balance of non-current loans received from other non-current liabilities to a separate line "non-current loans" in the statement of financial position
4. Transfer of interest payable from trade payables to a separate line "current liabilities in the statement of financial position, current year portion of non-current loans and current loans"
5. Transfer of payables for non-current assets from trade payables to a separate line "other payables and liabilities" in the statement of financial position

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in EUR thousand unless otherwise stated

	Notes	31/12/19 before amendment	1	2	3	4	5	As at 31 December 2019 after amendment
ASSETS								
Non-current assets								
Intangible assets	5	247	-	-	-	-	-	247
Property, plant and equipment	6	237,978	-	-	-	-	-	237,978
Right-of-use assets	7	382	-	-	-	-	-	382
Receivables after one year		-	-	-	-	-	-	-
Deferred tax assets	20	333	-	-	-	-	-	333
Total non-current assets		**238,940**	**-**	**-**	**-**	**-**	**-**	**238,940**
Current assets								
Inventories		1	-	-	-	-	-	1
Prepayments		104	-	-	-	-	-	104
Loans granted	8	-	5	-	-	-	-	5
Trade receivables	9	-	-	12	-	-	-	12
Other receivables		166	(5)	(12)	-	-	-	149
Cash and cash equivalents	10	267	-	-	-	-	-	267
Total current assets		**538**	**-**	**-**	**-**	**-**	**-**	**538**
TOTAL ASSETS		**239,478**	**-**	**-**	**-**	**-**	**-**	**239,478**
EQUITY AND LIABILITIES								
Equity								
Share capital	11	52,300	-	-	-	-	-	52,300
Unpaid share capital	12	(11,314)	-	-	-	-	-	(11,314)
Retained earnings (loss)		(2,559)	-	-	-	-	-	(2,559)
Total equity		**38,427**	**-**	**-**	**-**	**-**	**-**	**38,427**
Non-current liabilities								
Non-current loans	13	-	-	-	99,881	-	-	99,881
Grants and subsidies	12	89,245	-	-	-	-	-	89,245
Lease liabilities	15	255	-	-	-	-	-	255
Provisions		-	-	-	-	-	-	-
Other non-current liabilities		100,173	-	-	(99,881)	-	-	292
Total non-current liabilities		**189,673**	**-**	**-**	**-**	**-**	**-**	**189,673**
Current liabilities								
Current portion of non-current loans and current loans**	13	4,306	-	-	-	137	-	4,443
Current portion of lease liabilities	15	126	-	-	-	-	-	126
Trade payables	16	6,529	-	-	-	(137)	(6,312)	80
Prepayments received		-	-	-	-	-	-	-
Other payables and liabilities	17	417	-	-	-	-	6,312	6,729
Total current liabilities		**11,378**	**-**	**-**	**-**	**-**	**-**	**11,378**
Total liabilities		**201,051**	**-**	**-**	**-**	**-**	**-**	**201,051**
TOTAL EQUITY AND LIABILITIES		**239,478**	**-**	**-**	**-**	**-**	**-**	**239,478**

All amounts are in EUR thousand unless otherwise stated

5. Financial Risk Management

The Company faces various financial risks when performing its activity: credit, liquidity, market (interest rate, foreign currency, fair value of financial instruments) and capital management risks. Managing such risks, the Company intends to decrease the impact of factors that can negatively impact its financial activity results.

Credit risk

The Company's credit risk is related to both the core business (trading and other receivables) and financing activities (cash and cash equivalents, loans).

The priority goal of the Company's treasury management is to ensure the security of funds and, in accordance with this goal, to maximize the return on investment. Counterparty credit risk is managed only in transactions with trustable financial institutions with a long-term foreign currency credit rating of at least A- according to Fitch Ratings (or the equivalent of other international credit rating agencies).

Credit risk related to bank balances is limited as the Company conducts transactions with banks with credit ratings issued by international credit rating agencies. The Company holds money in the accounts of major Lithuanian banks, which according to Fitch Ratings have been assigned a long-term credit rating of at least “A–”.

The maximum credit risk is equal to the book value of financial assets:

Financial assets	31/12/2020	31/12/2019
Non-current receivables	100	-
Other receivables	484	149
Loans granted	2,922	5
Trade receivables	1,162	12
Cash and cash equivalents	27,023	267
Total	**31,691**	**433**

The Company's credit risk related to receivables is limited because the main customers are reliable customers. As at 31 December 2020 and 2019, the Company did not have any overdue and impaired trade receivables.

Liquidity risk

Liquidity risk is managed by planning the Company's cash flow. In order to reduce liquidity risk, cash flow projections are made. Short-term funding (credit lines) through both financial institutions and shareholders would be used to manage short-term cash flow mismatches. The Company has entered into a mutual borrowing and loan agreement with Ignitis grupė, UAB and its subsidiaries.

Under the contract of 14 November 2019 between Vilniaus kogeneracinė jėgainė UAB and Europe Investment Bank (EIB) for a loan of EUR 190 million for financing the construction of cogeneration plant in Vilnius, the Company has to ensure requirements of certain indicators, which the Company fully complied with as at 31 December 2020. Repayment of the loan in full is secured by a guarantee agreement signed by Ignitis grupė, UAB.

The table below provides information on the Company's financial liabilities, taking the undiscounted cash flows of financial liabilities.

	Less than 3 month	3 to 12 month	1 to 5 years	>5 years
Non-current loans	361	1,082	31,850	118,993
Current portion of non-current loans and current loans	192	351	-	-
Lease liabilities	4	39	85	697
Trade payables	387	-	-	-
Other payables and liabilities	5,110	-	-	-
Total as at 31 December 2020	**6,054**	**1,472**	**31,935**	**119,690**
Non-current loans	261	784	4,181	104,601
Current portion of non-current loans and current loans	4,443	-	-	-
Lease liabilities	40	101	93	536
Trade payables	80	-	-	-
Other payables ant liabilities	6,729	-	-	-
Total as at 31 December 2019	**11,553**	**885**	**4,274**	**105,137**

Market risk

Interest rate risk

The Company has assessed the interest rate risk and found that the interest rate risk is not significant because:
• Interest arising from loans granted is not significant as these loans are a rapidly changing position and do not have a significant impact on cash flows. Sensitivity analysis is not disclosed for them.
• Interest arising from lease obligations is not material and therefore does not have a significant impact on cash flows and the sensitivity analysis is not disclosed.
• The received current and non-current loans have a fixed interest rate, therefore there is no interest rate risk for these liabilities. At the end of 2020, the Company had a loan payable to EIB of EUR 139,633 thousand (at the end of 2019, EUR 99,881 thousand).

Under the contract of 5 December 2016 between Vilniaus kogeneracinė jėgainė UAB and Europe Investment Bank (EIB) for a loan of EUR 190 million for financing the construction of cogeneration plant in Vilnius, the loan can be repaid in parts for which variable or fixed interest rates may be applied. In order to manage interest rate risk in the future, the Company plans to borrow a part of the amount in the future at fixed and a part at variable interest rates.

Foreign currency risk

The Company's transactions are performed in euro.

Capital management

The Company's equity, along with other sources of financing, is used to finance investments and operations. Increase in equity is planned according to the investment plan. The Management of the company, together with the Board and Shareholders, constantly reviews the need for equity and the operating budget.

For the purposes of capital management, the Company's management considers the Company's equity to be capital. The Company is obliged to keep its share capital has to be not less than EUR 2,500 and equity at not less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2020 and 2019, complied with these requirements. In 2020, there were no changes in capital management objectives and policies other than those described below.

Under the contract of 14 November 2019, between Vilniaus kogeneracinė jėgainė, UAB and Europe Investment Bank (EIB) for a loan of EUR 190 million for financing the construction of cogeneration plant in Vilnius, the Company has to ensure requirements of certain indicators, for the Company's and the whole Ignitis grupė, UAB level of indebtedness. As at 31 December 2020 the requirements were complied with. Information on the Company's net debt as at 31 December 2020 and as at 31 December 2019 is presented in Note 15. Under the above-mentioned agreement with the EIB, certain additional financial restrictions apply at the level of Ignitis grupė, UAB group companies. Compliance with these restrictions is ensured on the basis of an agreement on cooperation in the execution and implementation of the credit agreement signed between Vilniaus kogeneracinė jėgainė, UAB and Ignitis grupė, UAB.

On 15 December 2020, the Board of Ignitis grupė, UAB group companies approved a dividend policy that establishes the same dividend payment principles for all group companies. Dividend policy is one of the capital risk management tools. Pursuant to this procedure, the Company plans to allocate dividends taking into account the level of return on equity and earned net profit. The dividend policy stipulates that the allocation of profit to dividends for the financial year or for a period shorter than the financial year is required taking into account the return on equity, the Company's financial ability to pay dividends, the implementation of state-important economic projects and other circumstances. Dividends should be 60-85% of net profit, depending on the return on equity at the end of the reporting period.
• The Company will not have to allocate dividends if it incurs net loss. The Company will not pay dividends if its financial loans at the end of the reporting period are equal to or exceed the amount of EBITDA of the last four months of the Company, including the end of the reporting period.
• Dividends will not be paid if the Company's equity after the payment of dividends becomes less than the amount of its authorized capital, required reserve, revaluation reserve and reserve for acquisition of own shares, as well as if the company is insolvent or after dividends are paid. The Company will be able not to pay dividends even if their financial debt to equity ratio is equal to or greater than 1.0.

All amounts are in EUR thousand unless otherwise stated

6. Intangible Assets

	Rights acquired, patents and licenses	Other intangible assets	Software projects in progress	Total
As at 31 December 2019				
Net book value at the beginning of the reporting period	-	-	-	-
Acquisition cost	84	-	167	251
Amortisation	(4)	-	-	(4)
Net book value at 31 December 2019	80	-	167	247
As at 31 December 2019				
Acquisition cost	84	-	167	251
Amortisation	(4)	-	-	(4)
Net book value at 31 December 2019	80	-	167	247
As at 31 December 2020				
Net book value at the beginning of the reporting period	80	-	167	247
Acquisition cost	-	328	407	735
Amortisation	(21)	(27)	-	(48)
Net book value at 31 December 2020	**59**	**301**	**574**	**934**
As at 31 December 2020				
Acquisition cost	84	328	574	986
Amortisation	(25)	(27)	-	(52)
Net book value at 31 December 2020	**59**	**301**	**574**	**934**

7. Property, plant and equipment

	Construction in progress and prepayments for non-current assets	Other property, plant and equipment	Total
As at 31 December 2019			
Net book value at the beginning of the reporting period	76,884	4	76,888
Acquisition cost	160,891	202	161,093
Depreciation	-	(3)	(3)
Net book value at 31 December 2019	**237,775**	**203**	**237,978**
As at 31 December 2019			
Acquisition cost	237,775	210	237,985
Depreciation	-	(7)	**(7)**
Net book value at 31 December 2019	**237,775**	**203**	**237,978**
As at 31 December 2020			
Net book value at the beginning of the reporting period	237,775	203	237,978
Acquisition cost	30,323	15	30,338
Depreciation	-	(12)	(12)
Net book value at 31 December 2020	**268,098**	**206**	**268,304**
As at 31 December 2020			
Acquisition cost	268,098	225	268,323
Depreciation	-	(19)	(19)
Net book value at 31 December 2020	**268,098**	**206**	**268,304**

As at 31 December 2020, the Company has a contractual -commitment to acquire property, plant and equipment for EUR 17,761 thousand (as at 31 December 2019, EUR 98,839 thousand) from the main contractors.

After assessing the financial and technical organizational inability of the main contractor Rafako S.A to carry out works and complete the construction of a biofuel power plant on time, on 6 October2020, the Company has decided to terminate the contract with this contractor. Upon Company's request, a guarantee of EUR 14,965 thousand was paid out, which was accounted for as a reduction of acquisition cost of property, plant and equipment (see also Note 24).

All amounts are in EUR thousand unless otherwise stated

8. Right-Of-Use Assets

The movement of the Company's right of use assets is presented below:

	Land	Buildings	Vehicles	Total
Period ended on 31 December 2019				
Net book value at the beginning of the reporting period	-	-	-	-
Acquisitions	200	174	92	466
Depreciation	(3)	(65)	(16)	(84)
Net book value at 31 December 2019	**197**	**109**	**76**	**382**
Period ended on 31 December 2020				
Net book value at the beginning of the reporting period	**197**	**109**	**76**	**382**
Acquisitions	92	-	-	92
Write-offs	-	(3)	-	(3)
Depreciation	(4)	(91)	(19)	(114)
Net book value at 31 December 2020	**285**	**15**	**57**	**357**

9. Loans Granted

	As at 31 December 2020	As at 31 December 2019
Loans granted (cash pool)	2,922	5
Total	**2,922**	**5**

As at 31 December 2020, the Company had cash pool of EUR 2,922 thousand (in 2019, EUR 5 thousand) from Ignitis grupė, AB Group companies. Market interest rate is applied to these loans and all loans are current (up to one year). The goal of cash pool is to effectively manage corporate funds at group level.

As at 31 December 2019, the Company did not have any loans granted.

10. Trade Receivables

	As at 31 December 2020	As at 31 December 2019
Receivables for heat energy	382	-
Receivables for waste management	395	-
Other receivables	385	12
Total	**1,162**	**12**

The term of trade receivable repayment is from 5 to 60 days. The Company has not pledged claim rights to trade payables. The model of measurement of receivables is individual, no impairment has been determined.

The following are the Company's receivables that are subject to individual assessment (as at 31 December 2019, there were no such amounts):

As at 31 December 2020	Carrying amount before credit loss	Impairment
Not past due	1,143	-
Past due 1 – 30 days	19	-
Past due 31 – 60 days	-	-
Past due 61 – 90 days	-	-
Past due more than 90 days	-	-
Total receivables under contracts with customers	**1,162**	**-**

All amounts are in EUR thousand unless otherwise stated

11. Cash and Cash Equivalents

In the Cash Flow Statement, cash and cash equivalents include the following:

	As at 31 December 2020	As at 31 December 2019
Cash at bank	27,023	267
Total	**27,023**	**267**

The fair values of cash and cash equivalents as at 31 December 2020 and 2019 approximated their net book value.

Based on the loan agreement signed with the European Investment Bank (EIB), the Company pledged current cash balances and future inflows to bank accounts opened in Swedbank, AB. As at 31 December 2020, the balance of cash pledged amounted to EUR 16,024 thousand (as at 31 December 2019, EUR 256 thousand).

12. Equity

As at 31 December 2020 and as at 31 December 2019, the Company's share capital amounted to EUR 52,300 thousand was divided into 180,344,828 ordinary registered shares with their par value of EUR 0.29 each. As at 31 December 2020, all shares were fully paid. The shareholder of Ignitis Grupė, AB as at 31 December 2020, was Ministry of Finance of the Republic of Lithuania (holds 73.08% of shares) and retail and institutional investors (hold 26.92% of shares) as follows:

	As at 31 December 2020	As at 31 December 2019
Authorised share capital	52,300	52,300
Unpaid share capital	-	(11,314)
Retained earnings (loss)	(5,362)	(2,559)
Total	**46,938**	**38,427**

On 30 January 2019, a new version of the Articles of Association of the Company related to the increase of the share capital was registered with the Register of Legal Entities. On 14 January 2019, a decision of the sole shareholder Ignitis Grupė UAB was passed to increase the share capital of Vilniaus Kogeneracinė Jėgainė, UAB up to EUR 52,300,000.12 through the issue of 54,137,931 new ordinary registered shares with their nominal value of EUR 0.29 each.

Ignitis Grupė UAB paid the initial contribution amounting to EUR 4,000 thousand (which is more than one fourth of the value of newly subscribed shares) in cash on 23 January 2019. Ignitis Grupė UAB also made an non-cash contribution, evaluated by an independent property assessor Apus Turtas, UAB, in the amount of EUR 386,181.00 (business consultations on matters relating to preparatory works for the design and construction of Vilnius co-generation power plant).

On 16 January 2020, the remaining amount of share capital of EUR 11,314 thousand was covered for.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As the Company does not make profit, legal reserve is not formed.

13. Grants and Subsidies

Balances of the Company's asset-related grant as at 31 December 2020 and 2019 were as follows:

	As at 31 December 2020	As at 31 December 2019
Grants received	107,774	89,245
Total	**107,774**	**89,245**

On 18 October 2017, the Company signed the agreement with the Environmental Project Management Agency (hereinafter "the APVA") under the Ministry of Environment of the Republic of Lithuania. Financing granted for the implementation of the project from the 2014–2020 EU structural funds (the Cohesion Fund) amounted to EUR 48,553,044. On 31 October 2017, the bilateral agreement was signed between the Company and the public institution Lithuanian Business Support Agency (hereinafter "the LVPA"), under which the financial support of EUR 90,858,950 was granted for the implementation of the project from the EU structural funds (the Cohesion Fund).

In 2020, the Company has received EUR 18,529 thousand from EU structural funds (the Cohesion fund) (in 2019, EUR 60,853 thousand). In total, until 31 December 2020, the amount of EUR 107,774 thousand is received.

All amounts are in EUR thousand unless otherwise stated

On 6 February 2020, the contract with APVA project was extended to 20 April 2021, and on 12 March 2020, the project implementation plans of the contract with LVPA was extended until 20 April 2021. The Company is planning to extend implementation plans of contracts with APVA for 6 months and with LVPA for several years.

As at 31 December 2020, the Company has received an advance of EUR 1,300 thousand as a part of grant from EU structural funds and as at 31 December 2020 the criteria for classifying the advance received as grant were not met.

14. Loans

As at 31 December 2020 and as at 31 December 2019, the Company's loans liabilities were as follows:

	As at 31 December 2020	As at 31 December 2019
Non-current loans		
Loans received	139,633	99,881
Non-current loans total	**139,633**	**99,881**
Current loans and current portion of non-current loans		
Funds borrowed within the Group's internal borrowing platform	192	4,443
Current portion of non-current loans	351	-
Current loans and current portion of non-current loans	**543**	**4,443**

On 5 December 2016, Vilniaus Kogeneracinė Jėgainė, UAB and the European Investment Bank (EIB) signed the agreement for the loan of EUR 190 million designated for the funding of the construction of a cogeneration power plant in Vilnius. The EIB loan for this project is allocated from the European Strategic Investment Fund also referred to as the European Commission President Jean-Claude Juncker Plan. As at 31 December 2020, the unused balance of the loan was EUR 50 million (as at 31 December 2019, EUR 90 million), which is not planned to be used. The loan has to be paid until 7 April 2037.

15. Net debt reconciliation

Net debt reconciliation is not defined in the accounting standards since the issuer of the standards did not reach a consensus for the definition of this term and what should and should not be included to net debt conciliation while reviewing changes to IAS 7.

For the purpose of net debt reconciliation, financial borrowings include cash and cash equivalents, current loans granted, borrowings to financial institutions and other financing-related loans.

Reconciliation of net debt balances and cash flows from financial activities of 2020 and 2019 was as follows:

	Other assets		Lease liabilities		Financial liabilities		
	Cash (-) /overdraft (+)	Liquid investments (-)	Non-current	Current	Current loans	Non-current loans, non-current portion	Total
Net debt as at 1 January 2019	**(556)**	**(7,477)**	**-**	**-**	**13**	**19,796**	**11,776**
Cash flows	289						289
Loans received					4,306	80,000	84,306
Interest paid					(669)	(552)	(1,221)
Loans granted		7,477					7,477
Lease payments				(94)			(94)
Interest charge				9	656	625	1,290
Lease contracts			255	211			466
Other non-cash changes	-	-			137	12	149
Net debt as at 31 December 2019	**(267)**	**-**	255	126	**4,443**	**99,881**	**104,438**
Cash flows	(26,756)						(26,756)
Loans received						40,000	40,000
Interest paid		(115)			(2,863)		(2,978)
Loans granted		(2,918)			(4,421)		(7,339)
Lease payments				(126)			(126)
Interest charge		111		8	3,033		3,152
Lease contracts			69	33			102
Other non-cash changes	-	-			351	(248)	103
Net debt as at 31 December 2020	**(27,023)**	**(2,922)**	324	41	**543**	**139,633**	**110,596**

All amounts are in EUR thousand unless otherwise stated

16. Lease Liabilities

The Company's expected lease payments under non-cancellable leases were as follows:

	As at 31 December 2020	As at 31 December 2019
Minimum payments		
Within one year	52	135
Two to five years	85	93
After five years	697	536
Total	**834**	**763**
Expected financial expenses		
Within one year	(11)	(9)
Two to five years	(40)	(33)
After five years	(418)	(340)
Total	**(469)**	**(382)**
Carrying amount	**365**	**381**

17. Trade Payables and Prepayments received

The Company's trade payables as at 31 December 2020 and as at 31 December 2019 were as follows:

	As at 31 December 2020	As at 31 December 2019
Trade payables	387	80
Total	**387**	**80**

Trade payables are not interest bearing and are collectible on 30–90 term.

As at 31 December 2020, Company received a prepayment of EUR 1,300 million part of the grant from the EU Structural Funds (see note 13).

18. Other Current Payables and Liabilities

The Company's other current payables and liabilities were as follows:

	As at 31 December 2020	As at 31 December 2019
Payables for non-=current assets	4,435	6,312
Vacation accrual	238	108
Accrued variable part of remuneration	191	245
Other accrued expenses and liabilities	246	64
Total	**5,110**	**6,729**

19. Payroll-related Expenses

	As at 31 December 2020	As at 31 December 2019
Remuneration	1,603	603
Social security contributions	29	(46)
Vacation reserve costs	128	51
Total	**1,760**	**608**

All amounts are in EUR thousand unless otherwise stated

20. Other Expenses

Other expenses in 2020 and 2019 were as follows:

	As at 31 December 2020	As at 31 December 2019
Legal expenses	274	(15)
IT expenses	171	82
Procurement expenses	162	85
Consultation expenses	144	125
Other expenses	878	422
Total	**1,629**	**699**

21. Income Tax

The Company's components of tax income (expenses) on 31 December were as follows:

	As at 31 December 2020	As at 31 December 2019
Deferred income tax income (expenses)	362	193
Income tax income (expenses) recognised in the statement of profit or loss	**362**	**193**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

	As at 31 December 2020	As at 31 December 2019
Income (expenses) before tax	(3,165)	(1,275)
Income tax income (expense) calculated at the effective income tax rate	475	191
Amendments for previous periods	(113)	-
(Expenses) not deductible for tax purposes	-	2
Income tax income (expense) recognised in the statement of profit or loss and other comprehensive income	**362**	**193**

Deferred income tax assets and liabilities are calculated using the income tax rate of 15%.

Deferred income tax assets are recognised to the extent that is probable that these assets will be realised in future periods. The total amount recognised is classified as non-current and will be realised after one year.

	As at 1 January 2019	Tax loss carry forward transferred	Recognised in profit or loss	As at 31 December 2019	Tax loss carry forward transferred	Recognised in profit or loss	As at 31 December 2020
Deferred income tax assets							
Unused tax losses	99	8	189	296	-	769	1,065
Accrued wages, vacation reserve and related tax expenses	33	-	4	37	-	(8)	29
Testing income	-	-	-	-	-	150	150
Leased assets	-	-	-	-	-	1	1
Deferred income tax liability							
Capitalised interest	-	-	-	-	-	(550)	(550)
Deferred income tax asset before net realisable value	132	8	193	333	-	362	695
Less: net realisable value	-	-	-	-	-	-	-
Deferred income tax asset, net	**132**	**8**	**193**	**333**	**-**	**912**	**1,245**
Deferred income tax liability	**-**	**-**	**-**	**-**	**-**	**(550)**	**(550)**
Deferred income tax, net	**132**	**8**	**193**	**333**	**-**	**362**	**695**

22. Transactions with Related Parties

As at 31 December 2020 and 2019, the Company's parent company was Ignitis grupė, AB, 73.08% of its shares were held by the Republic of Lithuania, represented by Ministry of Finance of the Republic of Lithuania. For the purpose of disclosure of related parties, the Republic of Lithuania does not include central and local governmental institutions. A disclosure includes transactions and balances with the parent company, its subsidiaries, associates, all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and the Management.

In 2020 and 2019, the Company did not have any significant transactions with the Republic of Lithuania, represented by Ministry of Finance of the Republic of Lithuania, or entities governed by the Republic of Lithuania. Other related parties of the Company are EPSO G UAB Group companies controlled by the Republic of Lithuania.

The Company's transactions with related parties as at 31 December 2020, were as follows:

Related parties	Amounts receivable and accrued revenue	Amounts payable and accrued expenses	Sales	Purchases
	As at 31 December 2020	As at 31 December 2020	1 January 2020 - 31 December 2020	1 January 2020 - 31 December 2020
Ignitis grupė, AB		215		1,872
Energijos skirstymo operatorius, AB		76	39	182
Ignitis, UAB	2,029	77	72	63
Ignitis grupės paslaugų centras, UAB	213	173		574
Ignitis gamyba, AB	16	42		166
Transporto valdymas, UAB		61		33
Ignitis renewables, UAB	680		1	
Gamybos optimizavimas, UAB		5		4
State-controlled EPSO G UAB Group companies	121	14		67
Total	**3,059**	**663**	**112**	**2,961**

The Company's transactions with related parties in 2019 and balances as at 31 December 2019, were as follows:

Related parties	Amounts receivable and accrued revenue	Amounts payable and accrued expenses	Sales	Purchases
	As at 31 December 2019	As at 31 December 2019	1 January 2019 - 31 December 2019	1 January 2019 - 31 December 2019
Ignitis grupė, AB	11,314	3,484	20	125
Energijos skirstymo operatorius, AB	8	-	23	-
Ignitis, UAB	2	-	15	-
Energetikos paslaugų ir rangos organizacija, UAB	-	-	1	-
Ignitis grupės paslaugų centras, UAB	-	6	-	82
Ignitis gamyba, AB	-	989	-	102
Verslo aptarnavimo centras, UAB	-	17	-	194
Transporto valdymas, UAB	-	3	-	35
NT valdos, UAB	-	-	-	17
Energijos tiekimas, UAB	-	-	1	-
State-controlled EPSO G UAB Group companies	35	-	-	-
Total	**11,359**	**4,499**	**60**	**555**

The Company purchases services related to lease of property, IT and telecommunications, procurement organisation and implementation, accounting and personnel administration from related parties.

23. Compensation to Key Management Personnel

In 2020 and 2019, the Company's Chief Executive Officer and senior management were considered to be management. Compensation to the Management was as follows:

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Employment-related payments (EUR thousand)	438	331
Number of key management personnel as at 31 December	4	5

24. Contingent Liabilities and Assets

The Company has estimated potential of the main default interest payable by contractors due to delays in the completion of interim works, but the final amount of default interest (fines) to be paid by the contractors will be known and accounted for only when all contractual obligations have been completed. At the date of these financial statements, such default payments are not accounted for.

As at 31 December 2020, a mediation process was carried out with one of the contractors. Based on Management estimate considering the facts and circumstances about this process, it is not likely that the Company will incur liabilities related to it in the future and provision for that was not accounted for.

Litigation

On 10 July 2020, Rafako S.A. brought an action in the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter 'the Arbitration Court') against the performance of the construction contract. On 22 January 2021, Rafako S.A. clarified the content of claim after assessing its requests after the termination of the contract ended on 6 October 2020. The hearings of the Arbitral Court will be held, and other proceedings of the parties will be conducted in accordance with the schedule approved by the Arbitral Court. The specific amounts of claims under the Arbitration procedure at the date of the financial statements are not yet certain. However, in one of their requests, Rafako S.A. stated that it demands the return of EUR 14,965 thousand of the guarantee that was used by the Company for the performance of the contract. The Management of the Company considers all the plaintiff's demands, including mentioned guarantee, to be unfounded, as, based on the available facts and known circumstances, it believes it is unlikely that the Company will incur any liabilities in relation to this statement of claim and no provision for that is required in the financial statements as of 31 December 2020.

As at 31 December 2020, the Company, as a defendant or as a third party, has been involved in litigation with subcontractors (Ulava, UAB, Dzūkijos statyba, UAB, and Zeeco Europe Ltd.) regarding claimed liabilities (1,6 M EUR), although they have been fully settled with the main contractor according to the work performed by it. The Management believes that the outcome of the litigation should not create additional liabilities to the Company in relation to the subcontractors based on the available facts and circumstances and no provisions have been recognized in these financial statement in respect of this litigation.

On 26 January 2021, UAB AXIS Tech filed a lawsuit with the Vilnius Regional Court regarding the award of a debt of EUR 5,3 million / unjust enrichment for the performed construction works / materials. The Company considers the plaintiff's claim to be unfounded and no provision has been recognized in these financial statement in respect of this litigation.

Guarantees issued and received

On 30 December 2016, the Company has entered into a Guarantee Agreement with Ignitis Grupė UAB to secure the Company's obligations to the EIB to repay the loan (EUR 190 million).

The performance of main contractors is backed by a guarantee provided by the contractors amounting to 10% of the contract value.

On 25 March 2020, the Company signed a guarantee contract with Swedbank, AB to ensure performance of the Company's liabilities, related to LITGRID, AB. On 31 December 2020, the Company did not have any liabilities recognized in relation to this guarantee balance because is the management believes that the liabilities to LITGRID, AB will be properly fulfilled. As at 31 December 2020, the amount of the guarantee is EUR 0.8 million. Guarantee contract was extended until 25 March 2022.

On 26 March 2020, the Company signed a guarantee contract with Swedbank, AB for EUR 0.7 million to ensure performance of the Company's liabilities, related to Environmental Protection Agency. On 31 December 2020, the Company did not have any liabilities recognized in relation to this guarantee balance because the management believes that the liabilities to Environmental Protection Agency will be properly fulfilled. As at 31 December 2020, the amount of the guarantee is EUR 0.7 million.

25. Subsequent events

There were no significant events after 31 December 2020 and until the date of approval of the financial statements, except mentioned in note 24.

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ANNUAL REPORT OF VILNIAUS KOGENERACINĖ JĖGAINĖ FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting of Enterprises of the Republic of Lithuania and the Law on Companies of the Republic of Lithuania. The Company's securities are not listed and are not traded on a regulated market. The Articles of Association of the Company do not provide for more requirements for the content of the Company's annual report except for the ones provided for in the Law on Financial Statements of Enterprises of the Republic of Lithuania.

General information on the Company

Company name:	Vilniaus Kogeneracinė Jėgainė UAB
Legal form:	Private Limited Liability Company
Share capital	EUR 52,300 thousand
Registered on:	26/02/2015
Registered at:	State Enterprise Centre of Registers
Company code:	303782367
Address of its registered office:	Žvejų str. 14, LT-09310, Vilnius
The Company‘s register:	State Enterprise Centre of Registers
Phone number:	+370 620 65856
Fax:	-
E-mail address:	vkj@ignitis.lt
Website:	www.vkj.lt

Description of the Company’s activities and service market

The Company is engaged in building and preparing for operation the cogeneration power plant in Vilnius with a capacity of app. 92 MW electric and app. 229 MW thermal power in order to produce the energy by using residual waste from households recycling, as well as other waste which, because of its nature or composition, is similar to waste from household, and bio-fuel.

The Company’s main clients are expected to include the Vilnius district heating supplier Vilniaus šilumos tinklai, AB, waste management centres and other waste managing entities; electricity will be sold on the electricity exchange Nord Pool AS.

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

Vilniaus Kogeneracinė Jėgainė UAB is a company implementing the project on a cogeneration power plant in Vilnius using waste and biofuel for energy generation (hereinafter “the Project”). Vilniaus Kogeneracinė Jėgainė UAB is part of group of energy companies of Ignitis Grupė UAB. Under Resolution No 486 of the Government of the Republic of Lithuania of 28 May 2014, Ignitis Grupė UAB (former Lietuvos Energija UAB) was obligated to implement the project on a cogeneration power plant in Vilnius by establishing a company that will implement the power plant project. Consequently, Ignitis Grupė UAB established the Company on 26 February 2015.

Works under the signed contracts for the construction of the cogeneration power plant were started on 1 June 2017.

On 2 August 2017, the project on Vilnius cogeneration power plant was given a positive assessment by JASPERS, independent experts of the European Commission (technical assistance partnership between the European Commission, the European Investment Bank and the European Bank for Reconstruction and Development which helps implement large infrastructure projects). The experts confirmed that the project of a new power plant is expedient, reasonable and compliant with EU directives which implementation will bring tangible social and economic benefits to the society.

On 21 September 2017, Vilnius City Municipality Administration issued a permit for the installation of the construction site.

On 18 October 2017, the Company signed the agreement with the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania. Financing granted for the implementation of the project from the 2014–2020 EU structural funds (the Cohesion Fund) amounted to EUR 48,553 thousand.

On 31 October 2017, the agreement was signed between the Company and the public institution Lithuanian Business Support Agency. Financing granted for the implementation of the project from the 2014–2020 EU structural funds (the Cohesion Fund) amounted to EUR 90,859 thousand.

On 7 November 2017, the contractors of the cogeneration power plant started the construction site installation works.

On 2 January 2018, the Administration of Vilnius City Municipality (hereinafter “the Municipality”) issued a document permitting the construction of a cogeneration power plant in Vilnius.

On 15 January 2018, the European Commission passed two final decisions regarding the financing of waste and biofuel facilities of the cogeneration power plant in Vilnius.

On 22 January 2019, under the decision of the state-owned enterprise Ignitis Grupė UAB, the shareholder of Vilniaus Kogeneracinė Jėgainė UAB, the share capital of the Company was increased by EUR 15.7 million: an in-kind contribution in the amount of EUR 386 thousand was used to transfer the asset generated by Ignitis Grupė UAB to develop the project on Vilnius cogeneration power plant, whereas the outstanding part is paid in cash.

On 6 February 2020, the contract with APVA project was extended to 20 April 2021, and on 12 March 2020, the project implementation plans of the contract with LVPA was extended until 20 April 2021. The Company is planning to extend implementation plans of contracts with agencies.

On 6 October 2020, the Company has decided to terminate contract with one of the principal contractors, after evaluating the contractor's financial and technical organisational contractual inability to perform works. After the Company performed possibility analysis, it decided to continue the performed procurement of biofuel power plant.

Financing from the EU structural funds (the Cohesion Fund) already paid to the Company until 31 December 2020 amounted to EUR 107,774 thousand.

Description of key risks and uncertainties faced by the Company

Economic risk

The Company's activities expose it economic risk, i.e. risk relating to competitive environment, regulatory and political risk, environmental risk and personnel management risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's economic results.

Competitive environment risk

After the launch of the power plant, other producers connected to the Vilnius district heating network will become the Company's competitors in the heating sector, meanwhile other biofuel consumers and waste handling entities – in the area of fuel supply.

Regulatory and political risk

The Company complies with the regulatory legislation applicable to its activities. A possible legal-political risk is related to the impact of legal acts regulating changes in taxes.

Environmental risk

The Company's activities comply with the requirements stipulated in the environmental legislation. There is no risk that the Company's operations might be suspended due to their negative impact on the environment.

Personnel management risk

The Company's operations depend on the competences of its key management personnel and workers-specialists. Aiming to retain qualified specialists and reduce the risk of finding skilled workers, the qualification of employees is being continuously improved, conditions encouraging education have been developed, a motivational system have been introduced and targeted personnel recruitment measures have been applied.

Financial risk

When performing its activities, the Company is exposed to financial risks, including credit risk, liquidity risk, and interest rate risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's financial performance.

Credit risk

Credit risk arising from the funds held at banks is minimal because the Company's accounts have been opened only with those banks which have been assigned with high credit ratings by foreign rating agencies.

Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Company. Cash flow forecasts are made to minimize liquidity risk. Short-term financing (credit lines) from both the financial institutions and the shareholders is used to manage short-term mismatches of cash flows (inflows and outflows), if necessary.

Interest rate risk

The Company assesses the interest rate risk arising from lease obligations, short-term loans granted and received and long-term loans received.Interest rate risk does not have significant impact on the Company.

Foreign exchange risk

Purchase/sale contracts of the Company are denominated mostly in the euro, rarely in some other currencies. As a result, changes in exchange rates of foreign currencies do not have a significant impact on the Company's equity.

Analysis of financial and non-financial results

In 2020, the Company continued the implementation of the Project and earned revenue from resold inventories to the contractor for the tests of the power plant (EUR 119 thousand) and financial activities: from lending funds through the group account (cash pool) (EUR 113 thousand). Income from previous Revenue is derived from compensations for previous payments (EUR 56 thousand), Construction in progress value was reduced by the revenue earned from waste management during the testing of powerplant (EUR 632 thousand) and heat energy (EUR 406 thousand).

In 2020, operating expenses amounted to EUR 3,389 thousand (in 2019, EUR 1,306 thousand), whereof wages and related contributions amounted to EUR 1,760 thousand, business management services (EUR 390 thousand), legal services (EUR 274 thousand), depreciation and amortisation (EUR 174 thousand), telecommunications and IT services (EUR 171 thousand), consultation expenses (EUR 165 thousand), utility services (EUR 111 thousand), personnel development and other personnel-related expenses (EUR 101 thousand), resold inventories' expenses (EUR 94 thousand), public relations and marketing (EUR 34 thousand), transportation expenses (EUR 33 thousand), taxes (EUR 27 thousand), low-value inventories' expenses (EUR 12 thousand) and other expenses (EUR 43 thousand). The Company's utilities' expenses covered by a contractor amounted to EUR 403 thousand and legal expenses to EUR 11 thousand. Financial activity expenses included interest and discount expenses on lease liabilities (EUR 8 thousand).

The Company's EBITDA, caculated loss from profit or loss before tax after eliminating financial activity result, depreciation and amortisation expenses, in 2020 amounting to EUR 3,096 thousand (in 2019, EUR 1 ,16 thousand). The Company's net loss for 2020 amounted to EUR 2,803 thousand (in 2019, EUR 1,082 thousand). In 2020, deferred income tax benefit amounted to EUR 362 thousand (in 2019, EUR 193 thousand).

As at 31 December 2020, the Company has claimed for the breach of contractual terms by the contractor. The decision of FIDIC engineer, which would confirm the validity of this requirement, has not been made. As at 31 December 2020, a mediation process was carried out with one of the contractors.

As at 31 December 2020, the Company was committed to acquire property, plant and equipment from main contractors in the amount of EUR 17,761 thousand (as at 31 December 2019, EUR 98,839 thousand).

Information on environmental and personnel-related issues

The Company's activities comply with the requirements stipulated in the environmental legislation.

In 2020, the Company had 70 employees (average number of employees).

In 2020, the Company's payroll fund amounted to EUR 2.53 million (in 2019, EUR 1.30 million).

	Number of employees based on level of positions	Average salary*, EUR (before taxes) January – December 2020
Company's director	1	9,818
Highest-level executives	4	6,795
Mid-level executives	6	4,668
Experts, specialists	76	2,753
Workers	0	0
Total	87**	3,257

* Average salary consists of fixed salary (salary, vacation accruals, short-term sickness benefits, remuneration for work on holidays, during extreme situations for overtime, and the like) and the variable part of remuneration (deducted proportionally for 1 month).
** As at 31 December 2020, one employee held 2 posts.

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

All financial data presented in this annual report correspond to the financial information presented in the audited financial statements prepared in accordance with International Financial Reporting Standards (adopted for application by the EU).

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

At the beginning of the reporting period, the Company did not hold its own shares, nor acquired any during the reporting period.

Information on the Company's branches and representative offices

The Company does not have any branches and representative offices.

Significant events after the end of the reporting period

There were no significant events ater the end of the financial year.

The Company's operating plans and forecasts

The Company plans to continue its current activities, ensure its going concern and create returns for shareholders. The plant is expected to be operational in the first quarter of 2021, and biofuel power plant in the fourth quarter of 2022.

Information on the Company's research & development activities

The Company plans to continue a sustainable development of its current activities aimed at improving profitability and efficient use of assets in the long run. Research will be conducted upon request.

Financial instruments in use

The Company did not use financial or hedging instruments qualifying for hedge accounting that could affect the assessment of the Company's assets, equity, liabilities, financial position and performance.

Information on other executive positions held by the Company's Manager, members of the Board, and members of the Supervisory Board and the most significant information on their principal workplace

In accordance with the Company's Articles of Association, the Company's management bodies include as follows:

- the General Meeting of Shareholders;
- the Board;
- General Manager.

The General Meeting of Shareholders is the supreme management body of the Company. The scope of competence and the procedure for its convention and adoption of decisions by the meeting are established by the laws, other legal acts and the Company's Articles of Association.

The Board is a collegial management body of the Company. The competence of the Board, the procedure of decision-making, election and removal of its members are established by laws, other legal acts and the Articles of Association of the Company.

The Company's Board consists of 3 members. As at 31 December 2020, the Board consisted of the following:

Full name	Participation of Board members in other activities	Number of shares held at the Company
Dominykas Tučkus	Principal workplace: • Ignitis grupė, AB (company code 301844044, address: Žvejų str. 14, LT-09310 Vilnius) member of the Board, Director of Infrastructure and Development. Other executive positions: • Ignitis gamyba, AB (company code 302648707, address: Elektrinės str. 21, LT-26108 Elektrėnai) chairman of the Supervisory Board; • Ignitis, UAB (company code 303383884, address: Žvejų str. 14, LT-09310 Vilnius) Member of the Supervisory Board (from 1 June 2019); • Ignitis renewables, UAB (company code 304988904, address: P. Lukšio str. 5B, LT-08221 Vilnius) Chairman of the Board (from 3 January 2019); • KŪB Smart Energy Fund powered by Ignitis Group (company code 304596351, address: Antakalnio str. 17, LT-10312 Vilnius) Member of the Advisory Committee.	-
Dr. Nerijus Rasburskis	Principal workplace: • Ignitis grupė, AB (company code 301844044, address: Žvejų str. 14, LT-09310 Vilnius) Head of the Department of Heat and Electricity Solutions. Other executive positions: • Kauno Kogeneracinė Jėgainė, UAB (company code303792888, Žvejų str. 14, LT-09310 Vilnius) member of the Board; • Ekonavitas, MB (company code 303375193, address: Prancūzų str. 105-17, Kaunas) – sole founder and manager.	-
Paul K. Dainora	Principal workplace: • Atlantic, Gulf & Pacific Company (AG&P) (company code F01052, address: 28th Floor, Tower 2, Insular Life Corporate Center Insular Life Drive, Filinvest Corporate City, Alabang	-

	Muntinlupa City, 1781, Philippines) Business Development for EMEIA.

The General Manager acts as a single-person management body of the Company. The General Manager organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association and legal acts. The powers of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association. Information on the Company's General Manager is presented below:

Full name	Start of term of office	End of term of office	Number of shares held at the Company
Saulius Barauskas	1 October 2015	30 November 2020	-
Arūnas Žilys	1 December 2020	23 February 2021	-
Mantas Burokas	24 February 2021	23 February 2026	-