2019 TRANSPORTO VALDYMAS UAB

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT

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Company code 304766704

CONTENT

The financial statements of Transporto Valdymas UAB were approved on 20 March 2020 by the Acting Chief Executive Officer, the Head of Finance and Administration, and the Head of the Accounting Consultations Unit of Verslo Aptarnavimo Centras UAB (acting under the Decision of the Chief Executive Officer No S-IS-73-20 of 26 February 2020):

Jurgita Navickaitė-Dedelienė Acting Chief Executive Officer	**Marius Strumickas** Head of Finance and Administration	**Dalia Motiejūnienė** Head of the Accounting Consultations Unit

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VAT payer code LT108784411
Register of Legal Entities

To Transporto Valdymas UAB

9 April 2020

Ernst & Young Baltic UAB has performed the audit of the financial statements of Transporto Valdymas UAB (hereinafter the Company) for the year ended 31 December 2019, prepared by the management in the Lithuanian language. In this letter we have included a translation of our opinion from the original, which was prepared in the Lithuanian language.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

"INDEPENDENT AUDITOR'S REPORT

To the shareholders of Transporto Valdymas UAB

Opinion

We have audited the accompanying financial statements of Transporto Valdymas UAB (hereinafter the Company), which comprise the statement of financial position as of 31 December 2019, the statements of profit (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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 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 matters

The financial statements of Transporto Valdymas UAB, for the year ended 31 December 2018 were audited by other auditor which has issued an unqualified opinion as of 22 March 2019.

Other information

Other information consists of the information included in the Company's 2019 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 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.

Building a better working world

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 scepticism 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

Jonas Akelis
Auditor's licence
No. 000003

20 March 2020."

Jonas Akelis
Partner

STATEMENT OF FINANCIAL POSITION

All amounts are in EUR thousand unless otherwise stated

	Notes	As at 31/12/2019	As at 31/12/2018
ASSETS			
Non-current assets			
Intangible assets	5	11	7
Property, plant and equipment	6	4,024	9,126
Finance lease receivables	24	18,013	11,518
Right-of-use assets	8	247	-
Total non-current assets		**22,295**	**20,651**
Current assets			
Inventories	7	20	53
Prepayments		142	184
Accounts receivable under contracts with customers	9	1,682	1,567
Other receivables		-	703
Current portion of financial lease receivables	24	4,044	3,104
Cash and cash equivalents	10	2,577	1,111
		8,465	**6,722**
Non-current and current assets held-for-sale	6	1,703	552
Total current assets		**10,168**	**7,274**
TOTAL ASSETS		**32,463**	**27,925**
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	2,359	2,359
Legal reserve		-	-
Revaluation reserve	12	37	86
Retained earnings (deficit)		2,666	1,558
Total equity		**5,062**	**4,003**
Liabilities			
Non-current liabilities			
Lease liabilities	13	129	-
Deferred income tax liability	15	990	842
Non-current employee benefit liabilities	14	8	20
Long-term borrowings from related parties	16	24,936	21,336
Interest payable		536	272
Total non-current liabilities		**26,599**	**22,470**
Current liabilities			
Current portion of finance lease liabilities	13	119	-
Interest payable		67	-
Trade and other payables	17	293	1,042
Income tax payable		22	45
Advances received and accrued liabilities	18	301	365
Total current liabilities		**802**	**1,452**
Total liabilities		**27,401**	**23,922**
TOTAL EQUITY AND LIABILITIES		**32,463**	**27,925**

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

STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

All amounts are in EUR thousand unless otherwise stated

	Notes	01/01/2019–31/12/2019	15/02/2018–31/12/2018
Revenue and other income			
Revenue from contracts with customers	19	3,012	2,356
Property rental income	19	3,312	4,353
Other income	19	724	493
Operating expenses			
Depreciation and amortisation	5.6	(1,725)	(1,846)
Depreciation of right-of-use assets	8	(177)	-
Vehicle repair, servicing costs		(1,206)	(1,383)
Salaries and related expenses		(1,136)	(1,016)
Insurance expenses		(559)	(473)
Business support services		(114)	(109)
Other expenses	20	(499)	(429)
Operating expenses, total		**(5,416)**	**(5,256)**
OPERATING PROFIT		**1,632**	**1,946**
Finance income/(expenses):			
Finance income		6	-
Financial expenses	21	(387)	(225)
		(381)	**(225)**
PROFIT BEFORE TAX		**1,251**	**1,721**
Deferred income tax benefit/(expenses)	22	(43)	(45)
Current year income tax benefit/(expenses)	22	(148)	(185)
NET PROFIT		**1,060**	**1,491**
Other comprehensive income/(loss)		-	-
COMPREHENSIVE INCOME FOR THE YEAR		**1,060**	**1,491**

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

STATEMENT OF CHANGES IN EQUITY

All amounts are in EUR thousand unless otherwise stated

	Issued capital	Revaluation reserve	Legal reserve	Retained earnings	Equity in total
Received at split-off on 15 February 2018	**2,359**	**153**	**-**	**-**	**2,512**
Net profit for the reporting period	-	-		1,491	1,491
Total comprehensive income/(loss)	-	-	-	1,491	1,491
Transfer to retained earnings (transfer of depreciation)	-	(67)	-	67	-
Balance as at 31 December 2018	**2,359**	**86**	**-**	**1,558**	**4,003**
Balance as at 1 January 2019	**2,359**	**86**	**-**	**1,558**	**4,003**
Net profit for the reporting period	-	-		1,060	1,060
Total comprehensive income/(loss)	**-**	**-**	**-**	**2,618**	**5,063**
Transfer to retained earnings (transfer of depreciation)	-	(49)	-	49	-
Balance as at 31 December 2019	**2,359**	**37**	**-**	**2,667**	**5,063**

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

STATEMENT OF CASH FLOWS

All amounts are in EUR thousand unless otherwise stated

	Notes	01/01/2019–31/12/2019	15/02/2018–31/12/2018
Net profit		1,060	1,491
Adjustments to non-cash items:			
Depreciation and amortisation		1,725	1,846
Depreciation of right-of-use assets		177	-
Income tax expense/(benefit)	22	191	230
Write-off of property, plant and equipment		1	1
(Gain) on disposal of property, plant and equipment		(593)	(199)
Impairment loss on non-current and current asset held-for-sale		56	-
Interest expense		387	225
Accrued expenses increase/(decrease)		7	26
(Decrease)/increase in provisions		(12)	-
Impairment of accounts receivable under contracts with customers		78	-
Impairment/(reversal of impairment) of financial assets		18	-
Working capital adjustment:			
(Increase)/decrease in accounts receivable under contracts with customers and other accounts receivable		3,580	638
Change in asset held for sale		(56)	3
(Increase)/decrease in inventories, prepayments and deferred expenses		75	(3)
Increase/(decrease) in trade and other payables and advances received		(120)	350
Income tax (paid)		(65)	-
Net cash flows from operating activities		**6,509**	**4,608**
Cash flows from/(used in) investing activities			
(Purchase) of property, plant and equipment and intangible assets		(12,171)	(6,860)
Proceeds from sale of property, plant and equipment and intangible assets		3,733	2,363
Net cash flows (used in) investing activities		**(8,438)**	**(4,497)**
Cash flows from/(used in) financing activities			
Repayments of borrowings		(4,550)	-
Loans received		8,150	1,000
Lease payments		(177)	-
(Interest) paid		(28)	-
Net cash flows from/(used in) financing activities		**3,395**	**1,000**
Net increase/(decrease) in cash and cash equivalents		**1,466**	**1,111**
Cash and cash equivalents at the beginning of the year		**1,111**	-
Cash and cash equivalents at the end of the year		**2,577**	**1,111**

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

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

1 General

Transporto Valdymas UAB (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. The registered office is located at: Kirtimų st. 47, LT-02244 Vilnius, Lithuania. The Company is a profit seeking entity with a limited civil liability. Transporto Valdymas UAB registered with the Register of Legal Entities on 15 February 2018. Company code is 304766704, VAT payer's code – LT100011488517. The Company has been founded for an indefinite period.

The Company's core business is to provide vehicle rental, maintenance, refurbishment, servicing and all the other related services in the broadest sense.

As at 31 December 2019 and 2018, the shares of the Company were owned by the sole shareholder Ignitis Group UAB, the ultimate controlling party of which was the Republic of Lithuania, represented by the Ministry of Finance of the Republic of Lithuania.

As at 31 December 2019 and 2018, the Company's issued capital amounted to EUR 2,359,371 and was divided into 81,470 ordinary registered shares with par value of EUR 28.96 each. All shares of the Company were fully paid.

As at 31 December 2019 and 2018, the shareholders of the Company were:

Shareholder of the Company	As at 31/12/2019		As at 31/12/2018	
	Share capital, thousand EUR	%	Share capital, thousand EUR	%
Ignitis Group UAB (former Lietuvos Energija UAB)	2,359	100	2,359	100

As at 31 December 2019, the Company had 29 employees (31 December 2018 – 55 employees).

These financial statements were approved by the management of Transporto Valdymas on 20 March 2020. The Company's shareholders have a statutory right to request the amendment of these financial statements after the management approval in accordance with the laws and regulations of the Republic of Lithuania.

2 Summary of Significant Accounting Policies

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

2.1 Basis of Preparation of the Financial Statements

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 2019. These financial statements have been prepared on a going concern basis and the historical cost convention, except for vehicles, carried at a revalued amount less accumulated depreciation, and financial assets held-for-sale, measured at fair value through other comprehensive income.

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

These financial statements are presented in thousands of euros (thousand EUR). Given that the financial statements are presented in thousands of euros, the figures may not add up due to rounding. Such discrepancies in the financial statements are considered to be immaterial.

2.2 Accounting Policies

New and revised IFRSs, amendments and interpretations to existing standards, approved by the International Accounting Standards Board (IASB) and adopted by the EU, and improvements to standards are presented below.

a) *New standards, amendments and interpretations*

Prepayment Features with Negative Compensation – Amendments to IFRS 9 *(issued on 12 October 2017 with effective date of 1 January 2019)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The first-time adoption of the amendments did not have any significant impact on the Company's financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 Investments in Associates and Joint Ventures *(issued on 12 October 2017 with effective date of 1 January 2019)*

The amendment relates to whether the measurement, in particular relating to impairment, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendment clarifies that entities shall apply the requirements in IFRS 9, Financial instruments, before applying requirements in IAS 28 to long-term interests to which the equity method is not applied. In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long-term interests that result from the application of IAS 28 The first-time adoption of the amendments did not have any significant impact on the Company's financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments *(issued on 7 June 2017 with effective date of 1 January 2019)*

The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by taxation authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The first-time adoption of the interpretation did not have any significant impact on the Company's financial statements.

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 Employee Benefits *(issued on 7 February 2018 with effective date of 1 January 2019)*

Effective for reporting periods beginning on or after 1 January 2019. The Amendments relate to defined benefit plan whereby an entity provides post-employment benefits for an employee. In the event of a plan amendment, curtailment or settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, (including current market interest rates and other current market prices). The Amendments require the entity to use updated assumptions from remeasurement of defined benefits (i.e. post-employment benefits) plan to determine current service cost (increase in the present value of the defined benefit obligation) and net interest for the remainder of the annual reporting period after the plan amendment. These assumptions are covered by current actuarial assumptions (demographic, financial). So far, IAS 19 did not provide any guidance on how to determine these costs for a period after the plan amendment. By requiring the application of updated assumptions, amendments are expected to provide useful information to users of financial statements. The first-time adoption of the amendments did not have any significant impact on the Company's financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **ISA 12 Income Tax:** The amended explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. This requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits.
- **IAS 23 Borrowing Costs:** The amendments to paragraph 14 clarifies that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally

The first-time adoption of the annual standard improvements did not have any significant impact on the Company's financial statements.

IFRS 16 Leases *(effective for annual periods beginning on or after 1 January 2019).*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The value of assets being transferred under the lease agreement and related lease liabilities will be stated in the Company's statement of financial position.

The Company accounted for the impact of the first time adoption of IFRS 16 starting from 1 January 2019 using the modified retrospective approach. The Company performed the calculation of assets transferred according to the lease agreement and related liabilities under IFRS 16. The Company recognised assets and liabilities managed under the right of use, which indicates the impact of the first-time adoption of IFRS 16 on the Company's financial statements. The Company first adopted IFRS 16 Leases in the financial year ended 31 December 2019, which had a significant impact on the Company's financial statements.

b) <u>The impact of the first-time adoption of new standards on the items of the statement of financial position</u>

The impact of the first-time adoption of IFRS 16 on the items of the Company's financial statements is shown in the table below:

EUR Thousand

	As at 31 December 2018 (recognised prior to the adoption of IFRS 16)	IFRS 16	As at 1 January 2019
ASSETS			
Non-current assets			
Right-of-use assets	-	269	269
In total	**-**	**269**	**269**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	(134)	(134)
Current liabilities			
Lease liabilities	-	(135)	(135)
In total	**-**	**(269)**	**(269)**

All amounts are in EUR thousand unless otherwise stated

The impact of the first-time adoption of IFRS 16 on the Company's lease liabilities is shown in the table below:

	As at 1 January 2019
The future minimum lease payments under irrevocable operating lease agreements as at 31 December 2018 are as follows:	**321**
The weighted average interest rate as at 1 January 2019	2%
Lease liability recognised on 1 January 2019 by applying the interest rate	310
Add: Financial lease liabilities recognised on 31 December 2018	-
Less: Short-term leases recognised as expenses	(18)
Less: Leases of low-value assets recognised as expenses	-
Lease extension and termination option reasonably certain to be exercised	(23)
Lease liability as at 1 January 2019	**269**
Of which:	
Current lease liability	134
Non-current lease liability	135
	269

Practical expedient when the Company is a lessee

When the Company is a lessee, the following expedients are applied on a case-by-case basis during the transitional period.
The Company:
1. Applies a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e. leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
2. Elects not to apply any transitional adjustments for leases for which the underlying asset is of low value (assets with a value of 4,000 euro or less when new). The Company accounts for these leases in accordance with IFRS 16 from the date of initial application.
3. Excludes initial direct costs on leases previously classified as operating leases from the measurement of the right-of-use assets by applying the Standard at the commencement date.
4. Uses hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease. Consistent with IAS 8, hindsight is applied only to matters of accounting estimates and judgements and therefore would not apply to matters of fact such as changes in an index or rate.

IFRS 16 does not specify how a lessee would separate and allocate lease and non-lease components of a contract upon transition when the modified retrospective method is adopted. The Company has elected to apply practical expedient to account for a lease and associated non-lease components as a single lease component consistently with the Company's accounting policies.

c) New standards, amendments and interpretations issued but not yet effective

IFRS 17 Insurance Contracts *(issued on 18 May 2017 and has a mandatory effective date of 1 January 2021)*

The standard is effective for annual periods beginning on or after 1 January 2021, not yet adopted by the European Commission. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. This IFRS will have no impact on the Company's financial position or performance as insurance services are not provided. The Standard has not yet been endorsed by the EU.

Conceptual Framework in IFRS Standards *(issued on 29 March 2018 with effective date of 1 January 2020)*

On 29 March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting. 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. The IASB has 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 purpose 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 companies who develop accounting policies based on a conceptual framework, it is applicable to annual periods beginning on or after 1 January 2020. The document has been approved European Commission.

Definition of a Business – Amendments to IFRS 3 Business Combinations *(issued on 22 October 2018 with effective date of 1 January 2020).*

The IASB issued amendments to the definition of a business in IFRS 3 (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier adoption permitted. The amendments have not yet been endorsed by the European Commission. The Company is currently assessing the impact of these amendments on its financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures *(issued on 26 September 2019 with effective date of 1 January 2020).*

Amendments to these standards were the result of the recommendations report on Reforming Major Interest Rate Benchmarks (interbank offered rates, IBOR) issued by the Financial Stability Board (FSB). The reform involves replacement of the IBOR with an alternative risk-free rate (RFR), which would give more credibility to hedges by excluding the credit risk premium currently included in IBOR. The reform was initiated in response to emerging global systemic risk derived from the dependence of the efficiency of financial operations on IBOR. Furthermore, there are concerns about how these rates are determined in adverse market conditions. The reform process is subject to considerable confusion and uncertainty regarding the application of the interest rate benchmark in the long run. For this reason, adjustments have been made to address the issues that arise during the transition from IBOR to RFR. The amendments consider the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, to provide a relief for the entities that already apply RFR to hedges during the period of uncertainty created by this reform:

- In determining whether a forecast transaction is highly probable, an entity assumes that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of the interest rate benchmark reform.
- When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
- IAS 39 is amended so that an entity is not required to perform a retrospective assessment of a hedge relationships directly affected by the interest rate benchmark reform. However, for that purpose the entity shall comply with all other hedge accounting requirements in IAS 39, including the prospective assessment.
- The interest rate benchmark must be separately identified as a risk component that is only assessed/measured at the inception of the hedging relationship.

Once the uncertainty surrounding the interest rate benchmark reform disappears, the exceptions will become invalid. It is announced that further amendments will be made to the standards to establish accounting requirements following the implementation of the current interest rate benchmark reform. The amendments have not yet been endorsed by the European Commission. The Company is currently assessing the impact of these amendments on its financial statements.

Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors *(issued on 31 October 2018 with effective date of 1 January 2020)*

The amendments to these standards are intended to help entities to make judgements regarding material information and its disclosure in financial statements. For this reason, the materiality definition in IAS 1 and IAS 8 has been improved. The amendments are a response to findings that some companies experienced difficulties using the previous definition when judging which information is material and which is not. New definition of material: 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. Updates have been approved European Commission. The Company is currently assessing the impact of this amendment on its financial statements.

2.3 Foreign Currency

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the statement of profit or loss and other comprehensive income. These balances are translated using the closing rate.

2.4 Property, Plant and Equipment

Property, plant and equipment, except for vehicles, is stated at acquisition cost less accumulated depreciation and assessed impairment losses. Vehicles are stated at revalued amount, less accumulated depreciation. Vehicle revaluations are carried out on periodical basis to ensure that the carrying amount of these assets does not differ materially from their fair value at the at the end of the reporting period.

If a revaluation results in an increase in value, it is credited to other comprehensive income and added to the revaluation reserve within equity. Decreases in the carrying amount arising on the subsequent revaluation that offset previous increases of the same asset are recognised other comprehensive income and charged against previously recognised revaluation reserve directly in equity. All other decreases are charged to the profit or loss account. Increases in value that offset previous decreases are recognised in profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

The acquisition 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 intended use. Repair and maintenance costs incurred after property, plant and equipment is brought into use are usually recognised in the profit or loss 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 can be measured reliably, those costs are capitalised by adding them to the cost of the property, plant and equipment.

The residual value determined by the management equals to 10% of the acquisition price.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost or revalued amounts to their residual values. The following useful lives (in years) are applied by the Company:

Categories of property, plant and equipment	Useful lives (number of years)
Machinery and equipment	5–15
Computer hardware and communication equipment	3–5
Vehicles	5–8
Other property, plant and equipment	3–7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

Property, plant and equipment is derecognised on disposal by sale or by entering into a finance lease, or when no future economic benefits are expected from its use or sale. The gain or loss on disposal is the difference between the proceeds received in exchange for the asset disposed and the carrying amount at the time of disposal. Only the result of the transaction is recognised in the profit or loss. Any loss arising from the write-off of assets is recognised in the profit or loss when the asset is derecognised from the financial statements.

2.5 Intangible Assets

Intangible assets consist of software and other intangible assets and are measured at acquisition cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years. Amortization expenses are accounted for in the statement of profit or loss and other comprehensive income under the caption "Depreciation and amortisation".

2.6 Financial assets

The Company classifies its financial assets into the following 3 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 for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Company undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment.

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

At initial recognition, the Company measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

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

Financial assets measured at amortised cost

Loans granted by the Company and accounts receivable 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 measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

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

The Company derecognises financial assets in case of the following:

- 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/or (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.

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. As at 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.

All amounts are in EUR thousand unless otherwise stated

Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset using the cost model. 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.*

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 applies the following estimated useful lives of the right-of-use assets:

Category of right-of-use assets	Average useful life (in years)
Premises and sites for the parking of vehicles	15–75

The Company does not apply IAS 16 *Property, Plant and Equipment* to leases of intangible assets.

The Company presents rights-of-use assets separately from tangible assets in the statement of financial position.

2.8 Cash and Cash Equivalents

Cash consists of cash held in the Company’s bank accounts. Cash equivalents represent short-term investments (with original maturities of three months or less) that are easily convertible into known cash amounts, the price risk of which is insignificant. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and deposits in current bank accounts, as well as other highly liquid short-term investments.

2.9 Non-Current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale, if their carrying amount is recovered through a disposal rather than through continuing use. These assets (or disposal groups) are available for immediate sale, and a sale is considered highly probable in their present condition, subject to terms that are usual and customary for sales of such assets. The Company measures non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. The Company recognises an impairment loss for any initial or subsequent write-downs to fair value, less cost to sell. These provisions do not apply for the following categories of assets and liabilities: deferred income tax under IAS 12, financial assets under IAS 39, investment property under IAS 40, employee benefits under IAS 19, land under IAS 41 and contract liabilities under IFRS 4. The assets in these categories are measured under the indicated IAS’s.

2.10 Impairment of Assets

Expected credit losses (impairment of financial assets)

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

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

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

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

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

The lifetime expected credit losses of trade receivables are recognised from initial recognition of accounts receivable.

When granting a loan, the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Loans (finance lease) for which lifetime expected credit losses were calculated are considered credit-impaired financial assets. Recognition stages of expected credit losses:

1. Upon granting of a loan or concluding a finance lease agreement, the Company recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.

2. Upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Company accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.

3. Where the Company establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Company classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the borrower;

(b) a breach of contract, such as a default or past due event for more than 90 days;

(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties;

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss and other comprehensive income. The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. The reversal is accounted for in the same caption of the statement of profit or loss and other comprehensive income as the impairment loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less attributable variable selling expenses.

2.12 Financial liabilities

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value, less transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

Effective interest rate method is used to calculate amortised cost of financial liabilities and allocate interest expenses over a relevant period. The effective interest rate exactly discounts estimated future cash flows through the expected life of the financial liability or though the relevant shorter period.

2.13 Lease Liabilities: the Company as a Lessee

Initial measurement of lease liability

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the interest rate implicit in the lease cannot be readily determined, the Company applies incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: 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 depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

Subsequent measurement of lease liability

After the commencement date, a lessee shall measure the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate or if applicable the revised discount rate.

After the commencement date, the Company recognise in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both: interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Remeasurement of lease liability

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Company remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term. The Company determines the revised lease payments on the basis of the revised lease term or when there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances. The Company determines the revised lease payments to reflect the change in amounts payable under the purchase option.

If there is a change in the lease term or in the assessment of an option to purchase, the Company determine the revised discount rate as the interest rate implicit in the lease for the of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Unchanged discount rate

The Company remeasures the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. The Company determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Company remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect).

The Company determines the revised lease payments for the remainder of the lease term based on the revised contractual payments.

The Company uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate.

Lease modifications

A lessee shall account for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company:
- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by:
- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company presents lease liabilities in the statement of financial position separately from other liabilities. Interest expense on the lease liability are presented separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is recognised in the statement of profit or loss and other comprehensive income.

2.14 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

2.15 Dividends

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

2.16 Employee Benefits

Social security contributions

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.

Termination benefits

Termination benefits are 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 termination benefits when it is demonstrably 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. Non-current benefits are recognised at present value discounted using market interest rate.

Bonus plans

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

2.17 Income Tax

Income tax charge is based on profit for the year and considers deferred taxation. Calculation of income tax is based on requirements of the Lithuanian regulatory legislation on taxation.

Current year income tax

The current year income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The prepaid income tax and recognized income tax liabilities are offset in the statement of financial position when they relate to the same taxation authority. Tax rates and tax laws used to compute income tax expenses are those applicable as of the date of the statement of financial position.

In 2019, an income tax at a rate of 15 per cent was applicable in the Republic of Lithuania (in 2018 – 15 per cent).

Deferred income tax

Deferred income tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is probable to reduce the taxable profit in future. Deferred income 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 income tax assets are reviewed at the date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise all or part of deferred income tax assets. Deferred income tax assets are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to taxes assessed by the same fiscal authority or where there is a right to offset current tax assets and current tax liabilities.

Current and deferred income tax for the period

Current and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity in the same or subsequent period or on business combination.

2.18 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.

2.19 Revenue Recognition

The Company recognises revenue at the time and to the extent that the transfer of goods or services to customers would show the amount which would correspond to a consideration, the right to which is expected to be obtained by the Company in exchange for those goods or services. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

Vehicle lease services

The Company provides vehicle lease services under operating lease contracts concluded for definite period, which may be extended for additional period ranging from several hours to several years. Income from lease of vehicles is recognised as income in the statement of profit or loss and other comprehensive income in line with the principles described in Note 2.21.

Vehicle maintenance services

The Company provides vehicle maintenance and servicing along with rental services. The services are adapted to special characteristics of the leased property and the terms of the lease. Income from vehicle maintenance services is recognised as income in the statement of profit or loss and other comprehensive income after providing the service.

Interest income

Interest income is recognised at amortised cost on accrual basis, considering the outstanding balance of debt and the applicable interest rate. Interest received (excl. VAT) is recorded in the statement of cash flows as cash flows from operating activities.

2.20 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.

2.21 Finance and Operating Lease: the Company as a Lessor

At inception of a contract, the Company, as a lessor, determines whether the lease is a finance lease or an operating lease. If the Company determines that the lease transfers substantially all of the risks and rewards of ownership of the underlying asset, the lease is a finance lease. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Financial lease

It is presumed that a lease is a finance lease if it is possible to determine that the lessee pays the full cost of the asset and interest during the lease term and usually becomes the owner of the asset at the end of the lease term or a lessor has entered into an asset purchase contract with a fixed purchase price at the end of the lease term. Finance lease is recorded when substantially all the risks and rewards incidental to ownership of an asset are transferred. Title may or may not be eventually transferred. Lease classification is made at the inception of lease. If there is a change to the terms and conditions of a contract that results in a change in the scope of or the consideration for a lease, a modification is treated as a new contract. Upon transferring the assets to the lessee, the lessor records in accounting amounts receivable after one year at an amount equal to the net investment in the lease under the caption “Current portion of long-term debt”. At the end of the reporting period, the portion of the long-term debt that may be settled in one year is transferred to “Accounts receivable after one year”. The lessor recognises payments received under the finance lease agreement as the repayment of debt (at the amount of asset value coverage) and sales revenue (at the amount of interest). Upon termination of the finance lease and return of the asset to the lessor, the asset is recorded in the lessor’s accounting at the amount equal to the outstanding amount of asset value coverage.

Operating lease: The Company as a Lessor

Leases where the Company retains all the risk and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognised in the statement of profit or loss and other comprehensive income under the caption “Property rental income” on a straight-line basis over the lease term. Incentives for the operating lease are recognised as a reduction of the rental income over the lease term on a straight-line basis over the lease term. Contingent rent is recognised as income in the periods in which they are earned. Direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Assets held for operating leases should be presented in the balance sheet of the lessor according to the nature of the asset. For the purpose of the statement of cash flows, payments received from customers (excl. VAT) under finance and operating leases are reported in cash flows from operating activities.

The accounting policies applied by the Company as a lessor in the comparative period were similar to those in IFRS 16.

2.22 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 has chosen to apply the exemption provided for in IAS 24, Related Party Disclosures, regarding disclosure of transactions with, or under the control of, public authorities. The Company discloses all significant transactions with the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania or entities controlled by the Republic of Lithuania.

2.23 Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable by the entity or the counterparty in the normal course of business and in the event of default, insolvency or bankruptcy.

2.24 Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels in the fair value hierarchy:

Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

All amounts are in EUR thousand unless otherwise stated

Level 2: fair value of assets is based on other observable market data, directly or indirectly.

Level 3: fair value of assets is based on non-observable market data.

2.25 Events After the Reporting Period

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

3 Financial Risk Management

The Company's activities expose it to a financial risk. In managing this risk, the Company seeks to mitigate the effect of factors which could make a negative effect on the financial performance of the Company. All the units of the Company are responsible for financial risk management in the Company.

Financial instruments by category (as provided for in the statement of financial position):

	Company	
	As at 31/12/2019	**As at 31/12/2018**
Financial asset		
Accounts receivable under contracts with customers	1,682	1,567
Finance lease receivables	22,057	14,622
Other receivables	-	703
Cash and cash equivalents	2,577	1,111
In total	**26,316**	**18,003**
Financial liabilities (measured at amortised cost)		
Loans and interest payable	25,539	21,608
Trade payables	278	1,017
Other payables	15	25
Lease liabilities	248	-
In total	**26,080**	**22,650**

Credit risk

Credit risk exposure arises from cash and cash equivalents, trade and other receivables, less impairment losses recognised at the date of the statement of financial position. Credit risk or risk of counterparty default is controlled through credit terms and oversight procedures. Accounts receivable mostly comprise receivables from related parties that are reliable companies with high credit ratings or their related parties, therefore, they do not represent a high risk in terms of credit risk (Note 9).

On 31 December 2019, the Company carried out an assessment of expected credit losses on accounts receivables under contracts with customers and other receivables and recognised a loss allowance as at 31 December 2019.

Credit risk as at 31 December 2019 was as follows:

	Not past due	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 181 to 360 days	Past due more than 360 days	In total
Accounts receivable under contracts with customers and other accounts receivable	786	1,429	35	20	-	2,270
Allowance for expected credit losses	(5)	(18)	(20)	(20)	-	(63)
Balance as at 31 December 2018	**781**	**1,411**	**15**	**0**	**-**	**2,207**
Accounts receivable under contracts with customers and other accounts receivable	1,101	534	41	18	66	1,760
Allowance for expected credit losses	(1)	(1)	(1)	(11)	(64)	(78)
Balance as at 31 December 2019	**1,100**	**533**	**40**	**7**	**2**	**1,682**

All amounts are in EUR thousand unless otherwise stated

The Company applies the loss ratio matrix for the purpose of determining the lifetime expected credit losses of accounts receivable under contracts with customers and other receivables The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years. In this regard, the following loss ratio matrix was applied by the Company as at 31 December 2019:

	Not past due	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 180 to 360 days	Past due more than 360 days
Loss ratio (2018)	0.7%	1.18%	58.02%	99.17%	-
Loss ratio (2019)	0.06%	0.10%	3.14%	60.26%	98.61%

Market risk

Interest rate risk

Interest rate risk mainly arises from the borrowings that might be necessary for the levelling out the working capital. The Company's cash flows are exposed to interest rate risk, because the Company's loans had variable interest rates. Revenues and cash flows of the Company are not significantly affected by fluctuations in the market interest rates.

Foreign exchange risk

All monetary assets and liabilities of the Company as at 31 December 2019 are denominated in the euro, therefore, there is virtually no foreign exchange risk.

Securities price risk

As at 31 December 2019, the Company had no equity held for sale.

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 and long-term financing (credit lines, loans) from both the financial institutions and the shareholders would be used to manage short-term mismatches of cash flows (inflows and outflows).

The table below summarises the maturity profile of the Company's financial liabilities under the contracts by using the undiscounted cash flows of financial liabilities.

	On demand	Past due from 1 to 30 days	Past due from 31 to 90 days	91 days to 1 year	1 month to 5 years	In total
Trade payables		246	-	-	-	246
Trade payables for non-current assets acquired		771	-	-	-	771
Other payables		25	-	-	-	25
Loan instalments payable		-	-	-	21,336	21,336
Loan interest payable		-	-	-	272	272
Balance as at 31 December 2018		**1,042**	**-**	**-**	**21,608**	**22,650**
Trade payables		28	-	-	-	28
Trade payables for non-current assets acquired		70	-	-	-	70
Other payables		195	-	-	-	195
Loan instalments payable		-	-	-	24,936	24,936
Loan interest payable		67	-	-	536	603
Lease liabilities		10	20	100	121	251
Balance as at 31 December 2019		**370**	**20**	**100**	**25,593**	**26,083**

For the Company's net debt as at 31 December 2019, please refer to Note 25.

The management believes that cash flows from the Company's ordinary activities and sources of funding will continue to be sufficient to meet current liabilities. As at 31 December 2019, the Company's current assets exceeded current liabilities.

At the time of the split-off on 1 March 2018, the Company took over a loan payable to Ignitis Group UAB (former Lietuvos Energija AB). The Company also signed a long-term loan agreement with Ignitis Group UAB on 11 September 2018. During 2019, the loan of EUR 8,150 thousand was granted to meet the Company's needs, of which EUR 4,550 thousand was repaid.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and create returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends and distributions paid to shareholders, return capital to shareholders, issue new shares or sell assets to repay debt.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a private limited liability company must be not less than EUR 2,500, and the shareholders' equity must not be lower than 50 per cent of the company's authorised share capital. As at 31 December 2019 and 2018, the Company complied with these requirements.

Fair value of financial assets and liabilities

All amounts are in EUR thousand unless otherwise stated

The Company's financial assets comprise trade receivables, other accounts receivable and cash and cash equivalents whose carrying amount approximates their fair (market) value. The Company's financial liabilities comprise trade payables to be settled over the term of 7–30 days. The carrying amount of the Company's financial liabilities approximates their 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 in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

	Book value, total	Fair value Level 1	Level 2	Level 3
Carrying amount at 31 December 2018				
Financial asset				
Accounts receivable under contracts with customers	1,567	-	-	1,567
Other financial assets	14,622	-	-	14,622
Cash and cash equivalents	1,111	1,111	-	-
Financial assets, total	**17,300**	**1,111**	**-**	**16,189**
Financial liabilities				
Loans	21,336	-	-	21,336
Accounts payable and liabilities	1,042	-	-	1,042
Total financial liabilities	**22,378**	**-**	-	**22,378**
Carrying amount at 31 December 2019				
Financial asset				
Accounts receivable under contracts with customers	1,682	-	-	1,682
Other financial assets	22,057	-	-	22,057
Cash and cash equivalents	2,577	2,577	-	-
Financial assets, total	**26,316**	**2,577**	**-**	**23,739**
Financial liabilities				
Loans	24,936	-	-	24,936
Lease payments	248	-	-	248
Accounts payable and liabilities	293	-	-	293
Total financial liabilities	**25,477**	**-**	**-**	**25,477**

4 Critical Accounting Estimates and Judgements Used in The Preparation of the Financial Statements

Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to IFRS as adopted by the European Union requires management to make estimates and assumptions that affect the disclosed amounts of assets, liabilities, income and costs and contingencies. Main areas where estimates have been used in the preparation of these financial statements are described below:

Revaluation of vehicles
Vehicles operated by the Company are stated at revalued amount less accumulated depreciation.

Valuation of vehicles was conducted in 2019 based on the quoted market prices (Level 3 of the fair value hierarchy). As at 31 December 2019, value adjustments were made only in the group of assets held for sale, which, in the management's opinion, is considered significant amount. Based on management's estimates, there is no any indication that carrying amount of other vehicles as at 31 December 2019 significantly differs from their fair values and, therefore, no revaluation effect was recognised.

Reclassification to assets held for sale
The Company classifies property, plant and equipment and disposal groups as held for sale, if their carrying amount is recovered through a disposal rather than through continuing use, the assets and disposal groups are available for immediate sale, and a sale is considered highly probable in their current condition and under the conditions that are usual for sale of such assets and disposal groups. The Company is committed to a plan to sell these assets and disposal groups, and initiate an active programme to locate a buyer. The sale of assets is to be performed within one year of classification as held for sale and there are no indications that the plan will be significantly changed or withdrawn.

The Company's non-current assets held for sale consist essentially of vehicles. The Company's management expects the sale transactions started in 2019 to be finalised in 2020.

Depreciation rates of property, plant and equipment
A preliminary expert evaluation concluded that actual period of wear and tear of vehicles operated by the Company is shorter than determined by depreciation rates applicable in accounting. In order to disclose a value of property, plant and equipment as objectively as possible, in 2019 the Company's management reviewed and reduced depreciation rates from 6–10 years to 5–8 years for the assets acquired as from 1 April 2019.

Most of the vehicles purchased until 1 April 2019 that would be subject to new depreciation rates were reclassified to non-current assets held for sale in 2019. The values of these assets were adjusted to their market value as at 31 December 2019. Considering this, in the Company management's view, the recalculation of depreciation of these assets by applying new depreciation rates would not have had a material effect on these financial statements and, therefore, such recalculation has not been made.

All amounts are in EUR thousand unless otherwise stated

5 Intangible Assets

Changes in the Company's intangible assets during the year provided below:

	Computer software	Other intangible assets	In total
Received at split-off on 1 March 2018	-	15	15
Additions	12	-	12
Reclassification to property, plant and equipment	-	(15)	(15)
Amortisation	(5)	-	(5)
Net book value at 31 December 2018	**7**	**-**	**7**
Balance as at 1 January 2019	7	-	7
Additions	-	15	15
Amortisation	(7)	(4)	(11)
Net book value at 31 December 2019	**-**	**11**	**11**

6 Property, Plant and Equipment

Changes in the Company's property, plant and equipment during the year provided below:

	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction-in-progress	In total
Received at split-off on 1 March 2018	-	10,134	-	-	10,134
Additions	24	7,589	-	3	7,616
Disposals	-	(929)	-	-	(929) -
Reclassifications between asset categories (from/to finance lease)	-	(4,110)	-	-	(4,110)
Reclassified to assets held for sale	-	(1,758)	-	-	(1,758)
Reclassification from intangible assets	-	-	14	-	14
Depreciation	(2)	(1,834)	(5)	-	(1,841)
Net book value as at 31 December 2018	**22**	**9,092**	9	**3**	**9,126**
Period ended 31 December 2018					
Acquisition cost	24	10,822	14	3	10,863
Accumulated depreciation	(2)	(1,730)	(5)	-	(1,737)
Net book value as at 31 December 2018	**22**	**9,092**	9	**3**	**9,126**
Net book value as at 1 January 2019	22	9,092	9	3	9,126
Additions	-	11,486	-	-	11,486
Disposals	-	(767)	-	-	(767)
Write-offs	-	(1)	-	-	(1)
Reclassifications between asset categories (from/to finance lease)	-	(10,531)	-	-	(10,531)
Reclassified to assets held for sale	(15)	(3,559)	(5)	-	(3,579)
Depreciation	(1)	(1,706)	(3)	-	(1,710)
Net book value as at 31 December 2019	**6**	**4,014**	**1**	**3**	**4,024**
Period ended 31 December 2019					
Acquisition cost	6	5649	7	3	5,665
Accumulated depreciation	-	(1,635)	(6)	-	(1,641)
Net book value as at 31 December 2019	**6**	**4,014**	**1**	**3**	**4,024**

All amounts are in EUR thousand unless otherwise stated

Movement of non-current assets held-for-sale:

	Vehicles	In total
Net book value as at 1 March 2018	**-**	**-**
Disposals	(1,235)	(1,235)
Write-offs	(1)	(1)
Purchase for disposal purposes	30	30
Impairment	-	-
Reclassification to non-current assets	1,758	1,758
Net book value as at 31 December 2018	**552**	**552**
Net book value as at 1 January 2019	**552**	**552**
Disposals	(2,373)	(2,373)
Reclassification from non-current assets (Note 6)	3,579	3,579
Write-offs	-	-
Impairment	(55)	(55)
Net book value as at 31 December 2019	**1,703**	**1,703**

As at 31 December 2019, the cost of acquisition of fully depreciated property, plant and equipment, but still in use by the Company was as follows:

Category of assets	Acquisition cost
Structures and equipment	3
Vehicles	89
Other assets	5
Total	**97**

7 Inventories

	As at 31/12/2019	As at 31/12/2018
Raw materials and spare parts	5	45
Fuel	15	8
Other	1	1
Less: Allowance for inventories	(1)	(1)
Total:	**20**	**53**

The Company recognises inventories as an expense under the FIFO method.

8 Right-of-Use Assets

Changes in the Company's right-of-use assets during the year provided below:

	Buildings and sites for the parking of vehicles	In total
As at 31 December 2019		
Opening net book value	**-**	-
Additions:	**697**	**697**
Whereof: recognised as right-of-use asset as at 01/01/2019	269	269
Whereof: lease contracts signed from 01/01/2019 to 31/12/2019.	428	428
Write-offs and disposals	(273)	(273)
Depreciation	(177)	(177)
Net book value at 31 December 2019	**247**	**247**
As at 31 December 2019		
Acquisition cost	322	322
Accumulated depreciation	(75)	(75)
Net book value at 31 December 2019	**247**	**247**

The Company has concluded long-term lease agreements with external companies. These agreements give the right to change the scope of the services provided or to terminate the contract by notifying the lessor with at least 4–12 months' prior notice. The sites for the parking of vehicles necessary to provide car hire services are leased by third parties.

All amounts are in EUR thousand unless otherwise stated

9 Accounts Receivable under Contracts with Customers

	Company	
	As at 31/12/2019	As at 31/12/2018
Accounts receivable under contracts with customers		
Receivables for lease of assets and maintenance services	1,575	1,492
Proceeds from sale of non-current assets	185	75
In total	**1,760**	**1,567**
Less: allowance of doubtful trade receivables	(78)	-
Total receivables under contracts with customers	**1,682**	**1,567**

Allowance for amounts receivable (lifetime expected credit losses, IFRS 9)

As at 31 December 2019, the Company's trade receivables under contracts with customers were assessed using the loss ratio matrix (see description of the credit risk in Note 3):

	Carrying amount before credit losses	Allowance for expected credit losses
Not past due	1,101	1
Past due from 1 to 90 days	534	1
Past due from 91 to 180 days	41	1
Past due more than 180 days	18	11
Past due more than 360 days	66	64
Total receivables under contracts with customers	**1,760**	**78**

As at 31 December 2018, the Company's trade receivables under contracts with customers were assessed using the loss ratio matrix (see description of the credit risk in Note 3):

	Carrying amount before credit losses	Allowance for expected credit losses
Not past due	527	4
Past due from 1 to 90 days	985	4
Past due from 91 to 180 days	35	20
Past due more than 180 days	20	20
Total receivables under contracts with customers	**1,567**	**48**

As at 31 December 2019, expected credit losses on accounts receivables under contracts with customers assessed and recognised by the Company amounted to 4.4% of the loss (as at 31 December 2018 expected credit losses were not recognised).

Fair values of trade receivables under contracts with customers and other receivables approximate their carrying amounts. Trade receivables are non-interest bearing and are collectible on 30–60 days term. Impairment of amounts receivable – expected credit losses are recognised as accounts receivable by taking into consideration individually assessed credit risk which, based on all reasonable information, including future-oriented information, has increased significantly since initial recognition. For the purpose of determining the lifetime expected credit losses of accounts receivable, credit risk is assessed if several of the following indicators are fulfilled:

- substantial financial difficulties experienced by the debtor;
- probability that the debtor will enter bankruptcy or any other reorganisation;
- default of delinquency in payments.

10 Cash and Cash Equivalents

	As at 31/12/2019	As at 31/12/2018
Cash at bank	2,577	1,111
Carrying amount	**2,577**	**1,111**

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

As at 31 December 2019, the Company's temporarily free liquid funds were held at banks, the Company had no investments in money market and debt securities, i.e. time deposits, bonds of trusted financial institutions, debt securities of the Republic of Lithuania.

All amounts are in EUR thousand unless otherwise stated

11 Issued Capital

Shareholder of the Company	As at 31/12/2019		As at 31/12/2018	
	Number of shares	Amount	Number of shares	Amount
Ignitis Group UAB (former Lietuvos Energija UAB)	81,470	2,359,371	81,470	2,359,371
	81,470	**2,359,371**	**81,470**	**2,359,371**

As at 31 December 2019 and 2018, the Company's issued capital was divided into 81,470 ordinary registered shares with par value of EUR 28.96 each.

12 Reserves

Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

Based on the management decision, the legal reserve of the Company was not fully formed as at 31 December 2019 and 2018.

Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to increase in value. This reserve cannot be used to cover losses.

The movement in the revaluation reserve provided below:

	Revaluation reserve	Deferred income tax	Revaluation reserve, net of deferred income tax
Received at split-off on 1 March 2018	153	-	153
Depreciation of property, plant and equipment	(67)	-	(67)
Balance as at 31 December 2018	**86**	-	86
Balance at 1 January 2019	86	-	86
Depreciation of property, plant and equipment	(49)	-	(49)
Balance as at 31 December 2019	**37**	**-**	**37**

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit. As at 31 December 2019 and 2018, the Company had no other reserves.

13 Lease Liabilities

Lease liabilities and their movement:

	As at 31/12/2019
Opening book value at the beginning of the year	-
Recognition of lease liabilities under IFRS 16	269
Lease contracts concluded	428
Termination of lease (write-off of debt and accrued interest)	(272)
Interest charges	2
Lease payments (principal portion and interest)	(179)
Carrying amount at 31 December	**248**
Non-current lease liabilities	129
Current lease liabilities	119

The total amount of payments under lease and finance leases in 2019 amounted to EUR 179 thousand (in 2018 – EUR 153 thousand). Payments related to leases of 12 months or less (amounted to EUR 18 thousand in 2019) and leases of low-value assets (there was no this kind of lease in 2019) are classified as cash flows from operating activities.

The Company's payments under leases were as follows:

All amounts are in EUR thousand unless otherwise stated

	As at 31/12/2019	As at 31/12/2018
Minimum payments		
Within one year	121	171
Two to five years	130	150
After five years	-	-
In total	**251**	**321**
Future finance costs		
Within one year	(2)	-
Two to five years	(1)	-
After five years	-	-
In total	**(3)**	**-**
Carrying amount	**248**	**-**

14 Provisions

	As at 31/12/2019	As at 31/12/2018
Provision for pensions and similar liabilities	8	20
	8	**20**

Provisions for employee benefits include a statutory retirement benefit payable to the Company's employees. The balance of provisions at the reporting date is reviewed with reference to actuarial calculations to ensure that estimation of retirement benefit liabilities is as accurate as possible. The liabilities are recognised at discounted value at a market interest rate of 3.2%.

15 Deferred Tax Liabilities

Movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Taken over reorganisation 01/03/2018	Recognised in profit or loss	As at 31/12/2018	Recognised in profit or loss	As at 31/12/2019
Deferred tax assets					
Accrued wages, vacation reserve and taxes thereon	11	2	13	15	28
Deferred income tax asset before valuation allowance	11	2	13	15	28
Less: valuation allowance	-	-	-	-	-
Deferred income tax asset, net	**11**	**2**	**13**	**15**	**28**
Deferred income tax liability					
Vehicle depreciation	(668)	(187)	(855)	(163)	(1,018)
Deferred income tax liability, net	**(668)**	**(187)**	**(855)**	**(163)**	**(1,018)**
Deferred income tax, net	**(657)**	**(185)**	**(842)**	**(148)**	**(990)**

The following provides information on realisation of deferred income tax assets and settlement of deferred income tax liabilities:

	Company	
	As at 31/12/2019	As at 31/12/2018
Deferred tax asset:	**28**	**13**
Receivable during 12-month period	28	13
Deferred income tax liability:	**(1,018)**	**(855)**
Payable after 12-month period	(1,018)	(855)
Deferred income tax, net	**(990)**	**(842)**

16 Long-Term Borrowings from Related Parties

Long-term borrowings as at 31 December 2019 and 2018 were as follows:

All amounts are in EUR thousand unless otherwise stated

	As at 31/12/2019	As at 31/12/2018
Long-term borrowings to shareholders	24,936	21,336
In total	**24,936**	**21,336**

In March 2018, EUR 20,336 thousand of loan was transferred to the Company under split-off terms. The loan must be repaid by 11 August 2022 along with interest accrued amounting to EUR 536 thousand as at 31 December 2019 (as at 31 December 2018 – EUR 272 thousand). Annual interest rate on loan is 1.30%.

As at 31 December 2018, EUR 272 thousand of accrued interest was disclosed in the statement of financial position as current liabilities under the caption “Trade and other payables”. However, in preparation of financial statements for 31 December 2019, this classification error, which had no impact on the performance of the Company, was corrected by adjusting comparative figures in the statement of financial position on 31 December 2019 by reclassifying EUR 272 thousand of interest payable from short-term to long-term liabilities.

In order to renew the vehicle fleet, the loan agreement was signed with Ignitis Group UAB on 11 September 2018. Under this agreement, the Company received EUR 1,000 thousand on 27 December 2018, and during 2019, the Company received EUR 8,150 thousand and repaid EUR 4,550 thousand. As at 31 December 2019, interest payable on the loan amounted to EUR 67 thousand and were calculated by applying the interest rate implicit in the loan agreement: 3-month EURIBOR + 1.39% margin. The repayment deadline is from 30 June 2022 until 30 June 2024.

17 Trade and Other Payables

	As at 31/12/2019	As at 31/12/2018
Trade payables	28	246
Accounts payable for non-current and current assets acquired	70	771
VAT liabilities	180	-
Other payables	15	25
In total	293	1,042

As at 31 December 2019, the Company had no overdue payables. Trade payables are settled within the term of 60 days. Terms and conditions applicable to amounts payable to related parties are described in Note 23.

18 Advances Received and Accrued Liabilities

	As at 31/12/2019	As at 31/12/2018
Advances received	138	209
Vacation pay accrual and social security insurance	76	106
Accrued variable component of salary	79	43
Other accrued expenses	8	7
In total	**301**	**365**

All amounts are in EUR thousand unless otherwise stated

19 Revenue from Contracts with Customers

Revenue and other income consisted of the following:

	From 01/01/2019 to 31/12/2019	From 02/15/2018 to 31/12/2018
Property rental income:		
Vehicle lease income	2,197	3,690
Interest received on finance lease	1,115	663
Revenue from contracts with customers:		
Gain on disposal of non-current assets	593	199
Revenue from vehicle servicing	2,419	2,157
Other income	724	493
In total	**7,048**	**7,202**

20 Other Expenses

	From 01/01/2019 to 31/12/2019	From 2/15/2018 to 31/12/2018
Utility expenses	73	54
IT and telecommunication expenses	68	11
Tax expenses	62	92
Property security costs	19	64
Lease expense	18	153
Repair and maintenance costs	2	2
Impairment of accounts receivable under contracts with clients	78	-
Impairment of non-current and current asset held-for-sale	56	-
Impairment/(reversal of impairment) of financial assets	18	-
Other expenses	105	53
In total	**499**	**429**

21 Finance Costs

	From 01/01/2019 to 31/12/2019	From 15/02/2018 to 31/12/2018
Interest and default interest (essentially equivalent to interest)	387	225
In total	**387**	**225**

22 Income Tax Expense

Income tax expenses (benefit) for the period comprise current year income tax and deferred income tax.

In accordance with the Lithuanian regulatory legislation on taxation, the income tax rate of 15% was assessed on profit in 2019.

	From 01/01/2019 to31/12/2019	From 15/02/2018 to 31/12/2018
Deferred income tax expense (benefit)	148	185
Current income tax	43	45
In total	**191**	**230**

All amounts are in EUR thousand unless otherwise stated

Income tax expense disclosed in the statement of profit or loss and other comprehensive income relating to the result of the year may be reconciled to income tax expense that would arise using an enacted income tax rate of 15% applicable to profit before income tax:

	From 01/01/2019 to31/12/2019	From 15/02/2018 to 31/12/2018
Profit before tax	1,251	1,721
Income tax calculated at a rate of 15%	188	258
Income not subject to tax	(18)	(64)
Expenses not deductible for tax purposes	21	36
In total	**191**	**230**

23 Dividends

In 2019 and 2018, the Company did not pay any dividends.

24 Finance Lease

The following provides information on finance lease receivables during the year:

	As at 31/12/2019	As at 31/12/2018
Total finance lease receivables		
Within the first year	5,071	3,894
From two to five years	18,530	10,700
After five years	1,735	2,909
In total	**25,336**	**17,503**
Unearned finance lease income		
Within the first year	1,009	790
From one to five years	2,111	1,762
After five years	141	329
In total	**3,261**	**2,881**
In total (net finance lease)	**22,075**	**14,622**

In 2019 and 2018, the Company signed repurchase agreements for vehicles leased. These agreements stipulated particular repurchase amounts for vehicles used in long-term lease. The reclassification from property, plant and equipment to non-current finance lease was made taking into consideration income received from long-term lease, net book values of leased assets at the end of the lease term and amounts for which these motor vehicles will be (or will not be) sold.

The Company did not earn contingent finance income. The Company accounted for finance lease receivables when leasing the vehicles. As at 31 December 2019, the unguaranteed finance lease receivable amounted to EUR 14,559 thousand (31 December 2018: EUR 9,220 thousand). The Company signed vehicle lease purchase agreements with several companies. As at 31 December 2019, the vehicle lease purchase amount under the agreements totalled EUR 7,512 thousand (31 December 2018: EUR 5,402 thousand). The lease purchase term principally ranges from 1 to 5 years.

Impairment of finance lease receivables (lifetime expected credit losses, IFRS 9)

For the purpose of determining the lifetime expected credit losses of amounts receivable, the Company uses the loss coefficient matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of finance lease receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years. In this regard, the following loss ratio matrix was applied by the Company as at 31 December 2019:

	Group companies of Ignitis Group UAB	State-owned companies	Other customers
Loss ratio (2018)	0.13%	0.05%	0.71–58.02%
Loss ratio (2019)	0.13%	0.05%	0.31–2.04%%

All amounts are in EUR thousand unless otherwise stated

As at 31 December 2018, the Company's trade receivables under contracts with customers were assessed using the loss ratio matrix:

	Carrying amount before credit losses	Allowance for expected credit losses
Group companies of Ignitis Group UAB	3,141	4
State-owned companies	4,900	2
Other customers	1,178	18
Finance lease receivables under contracts with customers, total	**9,219**	**24**

As at 31 December 2019, the Company's trade receivables under contracts with customers were assessed using the loss ratio matrix:

	Carrying amount before credit losses	Allowance for expected credit losses
Group companies of Ignitis Group UAB	9,635	13
State-owned companies	4,384	2
Other customers	540	3
Finance lease receivables under contracts with customers, total	**14,559**	**18**

25 Net Debt Reconciliation

This note sets out an analysis of net debt and the movements in net debt for each of the periods presented. The net debt ratio is calculated by offsetting the Company's loans payable with cash and other liquid assets.

Net debt balances as at 31 December 2019 and 2018:

	As at 31/12/2019	As at 31/12/2018
Cash and cash equivalents	(2,577)	(1,111)
Financial debts payable within one year (interest on loan)	67	-
Financial debts payable after one year (interest on loan)	536	272
Borrowings payable after one year	24,936	21,336
Net debt	**22,962**	**20,497**
Cash and cash investments	(2,577)	(1,111)
Borrowings – fixed interest rate	25,539	21,608
Borrowings – variable interest rate	-	-
Net debt	**22,962**	**20,497**

Reconciliation of net debt balances and cash flows from financing activities:

	Other assets	Liabilities arising from financing activities			
	Cash/overdraft	**Short-term loans (granted/received)**	**Interest on long-term loans**	**Non-current portion of long-term loan**	**In total**
Net debt taken at the time of split-off on 1 March 2018	**-**	**-**	**-**	**20,336**	**20,336**
Cash flows	(1,111)	-	-	-	**(1,111)**
Loan received	-	-	-	1,000	**1,000**
Interest charges	-		272	-	**272**
Net debt as at 31 December 2018	**(1,111)**	**-**	**272**	**21,336**	**20,497**
Net debt as at 1 January 2019	**(1,111)**	**-**	**272**	**21,336**	**20,497**
Cash flows	(1,466)		-	-	**(1,466)**
Loan received	-		-	3,600	**3,600**
Interest charges	-	-	331	-	**331**
Net debt as at 31 December 2019	**(2,577)**	**-**	**603**	**24,936**	**22,962**

All amounts are in EUR thousand unless otherwise stated

26 Related-Party Transactions

As at 31 December 2019 and 2018, the parent company was Ignitis Group, wholly owned by the Ministry of Finance of the Republic of Lithuania. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the parent company, subsidiaries, associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

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

	Loan payable	Interest payable	Accounts receivable	Finance lease receivables	Accounts Payable	Sales	Purchase
Parent company							
Ignitis Group UAB	24,936	603	10	157		100	
Parent company's subsidiaries:							
Energijos Skirstymo Operatorius AB		19	902	8,349		4,798	
Ignitis gamyba AB			32	285		162	
Energetikos Paslaugų Ir Rangos Organizacija UAB			1			14	
Elektroninių Mokėjimų Agentūra UAB			1	11		5	
Energijos Tiekimas UAB						15	
Duomenų logistikos centras UAB			1	11		13	
NT Valdos UAB			4			46	(25)
Ignitis Grupės Paslaugų Centras UAB		9	9	104	8	92	(72)
Ignitis UAB			9	111		65	
Verslo Aptarnavimo Centras UAB			2	52	11	41	(119)
Vilniaus Kogeneracinė Jėgainė UAB			3	70		32	
Eurakras, UAB						1	
Kauno kogeneracinė jėgainė, UAB			2	49		24	
Energijos Sprendimų Centras UAB							
Litgas UAB							
Gamybos Optimizavimas UAB				11		5	
Other related parties							
EPSO-G UAB			3	53		32	
Litgrid AB			18	294		182	
BALTPOOL UAB			2	26		15	
TETAS UAB			61	7		392	
Litgrid Power Link Service UAB							
GET Baltic			1			5	
In total	**24,936**	**631**	**1,061**	**9,590**	**19**	**6,039**	**(216)**

The Company's transactions with related parties conducted during the period from March to December 2018 and balances arising on these transactions as at 31 December 2018 are presented below:

	Loan payable	Interest payable	Accounts receivable	Finance lease receivables	Accounts Payable	Sales	Purchase
Parent company							
Ignitis Group UAB	21,336	272	8	175		79	
Parent company's subsidiaries:							
Energijos Skirstymo Operatorius AB			900	2,272		2,762	
Ignitis gamyba AB			33			138	
Energetikos Paslaugų Ir Rangos Organizacija UAB			3	333		1168	
Elektroninių Mokėjimų Agentūra UAB			1	21		4	
Energijos Tiekimas UAB			5			41	
Duomenų logistikos centras UAB			1			12	
NT Valdos UAB			11		12	109	(146)
Ignitis Grupės Paslaugų Centras UAB			13	226		92	(51)
Ignitis UAB			3	69		23	
Verslo Aptarnavimo Centras UAB			11	139	30	45	(109)
Vilniaus Kogeneracinė Jėgainė UAB			3	22		24	
Eurakras, UAB						1	
Kauno kogeneracinė jėgainė, UAB			2	59		13	
Energijos Sprendimų Centras UAB						10	
Litgas UAB			1			4	
Gamybos Optimizavimas UAB							
Other related parties							
EPSO-G UAB			3			29	
Litgrid AB			23	759		254	
BALTPOOL UAB			1	66		11	
TETAS UAB			49	68		432	
Litgrid Power Link Service UAB						29	
GET Baltic							
In total	**21,336**	**272**	**1,071**	**4,209**	**42**	**5,280**	**(306)**

All amounts are in EUR thousand unless otherwise stated

Terms of transactions with related parties
Sales to and purchases from related parties are made on an equal footing with the arm's length principle. The payment terms set range from 30 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables. During the year ended 31 December 2019, the Company accounted for EUR 0 (in 2018: EUR 0) of the bad debt allowances for expected credit losses, receivables from related parties.

During the year, the Company provided vehicle maintenance and servicing for electricity sector companies of Ignitis Group UAB. The Company purchased IT maintenance, accounting and leasing services. In 2019, the Company accrued interest payable to Ignitis Group UAB on loans granted. Interest will start to be paid from 30 June 2022.

Remuneration of the management

	As at 31/12/2019	As at 31/12/2018
Employment-related payments	106	407
Number of key management personnel	1	3

As at 31 December 2019, the Company's Chief Executive Officer is considered to be management. As at 31 December 2018, the management consisted of the heads of departments and the head of the Company.

27 Off-Balance Sheet Commitments and Contingencies

As at 31 December 2019, the Company's off-balance sheet commitments to issue tender and performance guarantees to secure the performance of credit agreements as a result of the Borrower's participation in public tenders consisted of:

Agreement date	Maturity date	Lender	Interest rate	Overdraft facility	Amount of the liability Amount As at 31/12/2019
16 March 2018	As at 22 February 2020	SEB bankas AB	3 months EURIBOR +1.30% margin	EUR 700,000	EUR 472,699

An agreement was signed with SEB Bankas AB on 16 March 2018 for the provision of the commercial guarantees. As at 31 December 2019, the withdrawn balance of the guarantee for 24 valid guarantees amounted to EUR 473. The validity of the guarantees issued is from 31 December 2019 to 7 July 2026. The guarantee limit agreement expired on 22 February 2020.

28 Events After the Reporting Period

Repayment of borrowings

The Company repaid EUR 525 thousand of the loan to Ignitis Group UAB on 23 January 2020. The repayment of EUR 4,600 thousand of the loan is scheduled in instalments starting from 30 June 2022, however, the Company had available funds and repaid part of the loan before the contractual maturity. As at 31 December 2019, the Company accounted for the loan of EUR 4,600 thousand as long-term loan taking into the account the contractual maturity profile and this advance repayment of the loan in the amount of EUR 525 thousand did not affect the loan classification.

Amendment to the Agreement on Bank Guarantees

On 11 February 2020, the Company concluded the amendment to the agreement on bank guarantees with SEB Bankas. Guarantee repayment term was extended until 22 February 2021. The limit of the credit for guarantees was reduced to EUR 500 thousand, because no guarantees for new transactions are expected to be issued in the future.

COVID-19 pandemic

The Company has conducted the assessment of the impact of the COVID-19 outbreak on the Company's operations and financial statements and considers that it is currently difficult to predict the impact of the COVID-19 outbreak on the Company's operations and financial results due to the still short time of COVID-19 outbreak and the lack historical data. The Company is able to forecast only possible credit losses from the most affected business sectors (a rough estimate is EUR 23 thousand), however, the assumptions regarding the other aspects do not yet constitute a valid ground.

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All amounts are in EUR thousand unless otherwise stated

ANNUAL REPORT OF TRANSPORTO VALDYMAS UAB FOR THE FINANCIAL YEAR 2019

The annual report of the Company was prepared in accordance with the requirements set in the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Republic of Lithuania Law on Companies. The Company's securities are neither listed nor traded in the regulated market. The Company's Articles of Association do not establish other requirements for the contents of the annual report in addition to those stipulated in the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Basic data about the Company

Company name:	Transporto valdymas UAB
Legal form:	Private Limited Liability Company
Issued capital	EUR 2,359,371.2 EUR
Date of registration:	As at 15/02/2018
Place of registration:	Register of Legal Persons of the Republic of Lithuania
Company code:	304766704
Registered office address:	Kirtimų st. 47, LT-02244 Vilnius
Register name:	State Enterprise Centre of Registers
Telephone:	8 694 57022
Fax:	-
E-mail:	info@tpvaldymas.lt
Website:	http://www.tpvaldymas.eu/

Description of the Company's activities and service market

The main activities of the Company
Vehicle rental, maintenance, refurbishment, servicing and all the other related services in the broadest sense.

Main clients of the Company
State-owned electricity sector companies and other public undertakings.

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

The Company owns a fleet of over 1,900 vehicles with more than 560 vehicles being maintained. The Company renders these services throughout the territory of the country, therefore the Company's employees serve clients in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus and Utena regions. The Company is an active market player focused predominantly on public sector companies.

Description of key risks and uncertainties faced by the Company

Economic risk

Rental, maintenance and administration of vehicles. The main competitors are companies operating in the field of long-term vehicle rental, maintenance and administration. The Company stands out in the market due to its wide geography of vehicle service centres throughout the territory of Lithuania.

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 exposure arises from cash and cash equivalents, trade and other receivables, less impairment losses recognised at the date of the statement of financial position. Credit risk or risk of counterparty default is controlled through credit terms and oversight procedures. 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. Financing 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

Interest rate risk mainly arises from the borrowings that might be necessary for the levelling out the working capital. The Company's cash flows are exposed to interest rate risk, because the Company's loans had variable interest rates. Revenues and cash flows of the Company are not significantly affected by fluctuations in the market interest rates.

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 performance

Key financial indicators

No	INDICATOR, in thousand EUR	2019	2018
1	**REVENUE**	**7,048**	**7,202**
1.1	Rental and maintenance income	6,455	7,003
1.2	Result of disposal of non-current assets	593	199
2	**EXPENSES**	**5,416**	**5,256**
2.1	Operating expenses	3,350	3,410
2.2	Depreciation and amortisation*	1,902	1,846
2.3	Impairment	152	1
2.4	Write-off	11	-
3	**OPERATING PROFIT (LOSS)**	**1,632**	**1,946**
4	**FINANCING ACTIVITIES**	**(381)**	**(225)**
4.1	Finance income	6	0
4.2	Finance costs	386	225
5	**PROFIT (LOSS) BEFORE TAX**	**1,251**	**1,721**
6	**INCOME TAX**	**(191)**	**(230)**
7	**NET PROFIT (LOSS)**	**1,060**	**1,491**
9	**Profitability**	15.0%	20.7%
10	**EBITDA (5 + 4.2 - 4.1 + 2.2 + 2.3 + 2.4)**	**3,696**	**3,791**
	Cash Flow Indicator**	**6,774**	**6,107**

* Note. In 2019, recognition of expenses related to lease of buildings and structures under IFRS 16 resulted in EUR 177 thousand increase in depreciation and amortization expenses.
** Note. To provide the most objective information about the Company's performance, it is considered appropriate to assess the cash flow indicator, which is calculated by adding to actual EBITDA the following (adjustments and comments are provided in the table and text below):

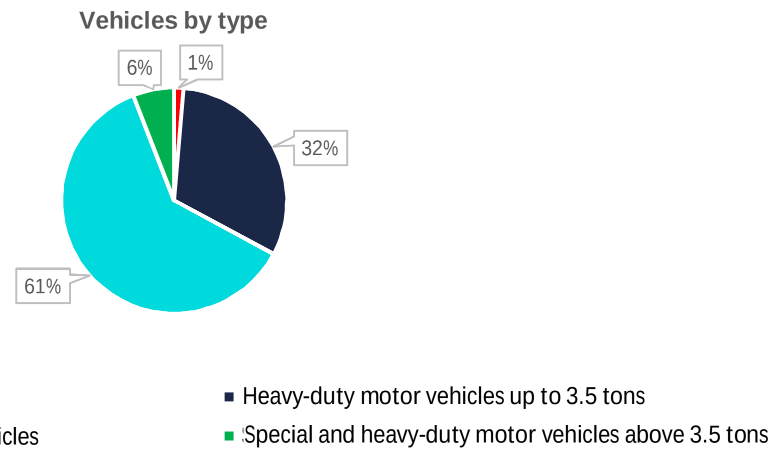
Additional components, thousand EUR	**2019**	**2018**
EBITDA in January 2018 and February 2018	-	663
Principal portion of financial lease	3,078	1,652
Total:	**3,078**	**2,315**

- 2018: actual EBITDA values for January and February, which are based on management reports. It is noteworthy that the Company was established in March 2018, therefore, financial results for January and February are not included and presented in the financial statements. Transport activities were carried out in January and February prior to the split-off of UAB NT Valdos, it is therefore appropriate to make this adjustment to better disclose the annual operating result.

- 2018 and 2019: principal portion of the finance lease. The principal portion of the finance lease is the cash payments under contracts with customers that are not recognised in the profit (loss) for the purpose of recognising the lease as a finance lease in accordance with International Financial Reporting Standards. If these contracts were treated as operating leases, the said revenue would be charged to the EBITDA. The recognition of a lease as a finance or operating activity is conditional on valid purchase agreement at the end of the lease term (i.e. if a lessor concluded a lease purchase agreement, the lease is classifies as finance lease, otherwise – an operating lease), therefore, in order to objectively disclose the Company's generated cash flow, it is appropriate to add finance lease payments to EBITDA.

Key non-financial indicators

Fleet of vehicles	**Units**
As at 01/01/2019	**2,026**
Purchased	**524**
Sold	**644**
As at 31/12/2019	**1,906**



Information on environmental and personnel-related issues

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

In 2019, the Company had 52 employees (average number of employees).

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

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

Information on own shares 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 had no own shares, nor acquired any during the reporting period.

Information on the Company's branches and representative offices

The Company has no branches and representative offices.

Significant events after the end of the reporting period

The Company repaid EUR 525 thousand of the loan to Ignitis Group UAB on 23 January 2020. The repayment of EUR 4,600 thousand of the loan is scheduled in instalments starting from 30 June 2022, however, the Company had available funds and repaid part of the loan before the contractual maturity.

On 11 February 2020, the Company concluded the amendment to the agreement on bank guarantees with SEB Bankas. Guarantee repayment term was extended until 22 February 2021. The limit of the credit for guarantees was reduced to EUR 500 thousand, because no guarantees for new transactions are expected to be issued in the future.

The Company's operation plans and forecasts

The Company intends to continue its current activities seeking to increase the efficiency of services rendered and return to the shareholder.

The Company has conducted the assessment of the impact of the COVID-19 outbreak on the Company's operations and considers that it is currently difficult to predict the impact of the COVID-19 outbreak on the Company's operations and financial results due to the still short time of COVID-19 outbreak and the lack historical data. The Company is able to forecast only possible credit losses from the most affected business sectors (a rough estimate is EUR 23 thousand), however, the assumptions regarding the other aspects do not yet constitute a valid ground.

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 a long run. Research will be conducted on as-needed basis.

Financial instruments in use

Bank guarantees and insurance sureties are used to secure performance of contracts.

Information on the 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 Group companies	In external companies
Full name	Company and position	Company and position
Jurgita Navickaitė-Dedelienė	Transporto Valdymas UAB (company code 304766704, address: Kirtimų st. 47, LT-02244 Vilnius), Executive Director	None

Dokumentą elektroniniu
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