2019

VILNIAUS KOGENERACINĖ JĖGAINĖ 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

Vilniaus kogeneracinė jėgainė

www.vkj.lt

Vilniaus Kogeneracinė Jėgainė UAB
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ANNUAL FINANCIAL STATEMENTS	

The financial statements of Vilniaus Kogeneracinė Jėgainė UAB were approved on 4 March 2020 by the Chief Executive Officer, the Director of Finance and Administration, and the Head of the Accounting Consultations Unit of Verslo Aptarnavimo Centras UAB (acting under Order No IS-73-20 of 26/02/2020):

Arūnas Žilys Acting Chief Executive Officer under the order No VKJ_IS_2019-29 of 12/08/2019	**Arūnas Žilys** Finance and Treasury Director	**Dalia Motiejūnienė** Head of the Accounting Consultations Unit of Verslo Aptarnavimo Centras UAB, acting under Order No IS-73-20 of 26/02/2020

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VAT payer code LT108784411
Register of Legal Entities

To the Management of UAB Vilniaus kogeneracinė jėgainė

3 April 2020

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

Opinion

We have audited the accompanying financial statements of UAB Vilniaus kogeneracinė jėgainė (hereinafter the Company), which comprise the statement of financial position as of 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 Ethics Standards Board for Accountants' 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 matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on the Company's financial statements on 2 April 2019.

Other information

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

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

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's 2019 Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Inga Gudinaitė
Auditor's licence
No. 000366

4 March 2020"

Inga Gudinaitė
Associate partner

STATEMENT OF FINANCIAL POSITION

All amounts are in EUR unless otherwise stated

	Notes	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets			
Intangible assets	5	247,302	-
Property, plant and equipment	6	237,977,751	88,531,618
Right-of-use assets	7	381,888	-
Deferred tax assets	21	333,413	132,164
Total non-current assets		**238,940,354**	**88,663,782**
Current assets			
Inventories		1,186	1,186
Prepayments		103,545	2,125
Loans granted	8	-	7,477,044
Other receivables	9	165,857	106,300
Cash and cash equivalents	10	266,899	556,127
Total current assets		**537,487**	**8,142,782**
TOTAL ASSETS		**239,477,841**	**96,806,564**
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	52,300,000	36,600,000
Unpaid issued capital	11	(11,313,819)	-
Retained earnings (loss)		(2,559,411)	(1,477,817)
Total equity		**38,426,770**	**35,122,183**
Non-current liabilities			
Grants and subsidies	12	89,244,608	28,391,157
Lease liabilities	13	255,444	-
Provisions		-	18,658
Non-current liabilities	14	100,172,569	19,971,197
Total non-current liabilities		**189,672,621**	**48,381,012**
Current liabilities			
Loans	15	4,306,442	-
Lease liabilities	13	125,626	-
Trade payables	16	6,529,544	3,594,287
Other amounts payable and liabilities	17	416,838	9,709,082
Total current liabilities		**11,378,450**	**13,303,369**
Total liabilities		**201,051,071**	**61,684,381**
TOTAL EQUITY AND LIABILITIES		**239,477,841**	**96,806,564**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts are in EUR unless otherwise stated

	Notes	As at 31 December 2019	As at 31 December 2019
Revenue from contracts with customers and other revenue			
Other revenue		-	2,910
		-	**2,910**
Operating expenses			
Salaries and related expenses	18	(607,660)	(245,131)
Other expenses	19	(698,821)	(481,800)
Operating expenses, total		**(1,306,481)**	**(726,931)**
OPERATING PROFIT (LOSS)		**(1,306,481)**	**(724,021)**
Finance income	19	40,595	7,434
Financial expenses	20	(9,118)	(1)
PROFIT (LOSS) BEFORE TAX		**(1,275,004)**	**(716,588)**
Income tax and deferred tax (expenses)	21	193,410	102,060
NET PROFIT (LOSS) FOR THE YEAR		**(1,081,594)**	**(614,528)**
Other comprehensive income (loss) that will not be reclassified to retained earnings (loss)		-	-
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(1,081,594)**	**(614,528)**

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

STATEMENT OF CHANGES IN EQUITY

All amounts are in EUR unless otherwise stated

	Notes	Issued capital	Retained earnings	Equity Total
Balance as at 1 January 2018		**21,003,400**	**(863,289)**	**20,140,111**
Increase in issued capital	11	15,596,600	-	15,596,600
Net profit (loss) for the year		-	(614,528)	(614,528)
Balance as at 31 December 2018		**36,600,000**	**(1,477,817)**	**35,122,183**
Balance as at 1 January 2019		**36,600,000**	**(1,477,817)**	**35,122,183**
Increase in issued capital	11	15,700,000	-	15,700,000
Unpaid issued capital	11	(11,313,819)	-	(11,313,819)
Net profit (loss) for the year		-	(1,081,594)	(1,081,594)
Balance at 31 December 2019		**40,986,181**	**(2,559,411)**	**38,426,770**

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

STATEMENT OF CASH FLOWS

All amounts are in EUR unless otherwise stated

	Notes	2019	2018
Net profit (loss)		(1,081,594)	(614,528)
Adjustments to non-cash items:			
Depreciation and amortisation expenses	5,6,7	91,649	2,334
Income tax expense	22	(193,410)	(102,060)
(Decrease) increase in provisions		(18,658)	10,748
Elimination of results of financing and investing activities:		(31,480)	(7,433)
Working capital adjustment:			
(Increase) decrease in trade receivables and other accounts receivable		(57,998)	(10,390)
(Increase) decrease in inventories and prepayments		(101,420)	1,318
Increase (decrease) in payables and contract liabilities		1,028,828	6,883,627
Net cash flows from/(to) operating activities		**(364,083)**	**6,163,616**
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets	5.6	(155,303,135)	(64,426,248)
Loans granted	8	-	(4,678,190)
Repayment of borrowings	8	7,477,044	-
Interest received	19	39,815	6,630
Grants received	12	60,853,451	21,111,302
Net cash flows from/(to) investing activities		**(86,932,825)**	**(47,986,506)**
Cash flows from financing activities			
Formation and increase of issued capital by cash contributions	11	4,000,000	15,596,600
Loans received	14	84,306,442	20,000,000
Lease payments		(77,847)	-
Interest paid		(1,220,915)	-
Net cash flows from/(to) financing activities		**87,007,680**	**35,596,600**
Net increase/(decrease) in cash and cash equivalents		**(289,228)**	**(6,226,290)**
Cash and cash equivalents at the beginning of the year		556,127	6,782,417
Cash and cash equivalents at the end of the year		**266,899**	**556,127**

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

1 General

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

The shares of the Company are owned by the sole shareholder Ignitis Grupė UAB, the parent country is the Republic of Lithuania, represented by the Ministry of Finance of the Republic of Lithuania.

Shareholder of the Company	As at 31 December 2019		As at 31 December 2018	
	Share capital, in EUR	%	Share capital, in EUR	%
Ignitis Group UAB (former Lietuvos Energija UAB)	52,300,000	100	36,600,000	100

On 30 January 2019, a new version of the Articles of Association of the Company related to the increase of the issued capital was registered with the Register of Legal Entities. On 14 January 2019, a decision of the sole shareholder Ignitis Grupė UAB was passed to increase the issued capital of Vilniaus Kogeneracinė Jėgainė UAB up to EUR 52,300,000.12.

As at 31 December 2019, the Company's issued capital was divided into 180,344,828 ordinary registered shares (31 December 2018: EUR 126,206,897) with par value of EUR 0.29 each.

As at 31 December 2019, the remaining unpaid issued capital amounted to EUR 11,313,819.

The Company's financial year coincides with a calendar year.

As at 31 December 2019, the Company had 44 (31 December 2018: 29) employees.

The Company's shareholder has a statutory right to approve these financial statements or refuse to approve them andrequire that new financial statements are drawn up in accordance with the laws and regulations of the Republic of Lithuania.

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

These financial statements were approved by the management of Vilniaus Kogeneracinė Jėgainė UAB on 4 March 2020.

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 and comply with these standards.

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

All amounts in these financial statements are presented in euros (EUR), which is the Company's functional and presentation currency.

2.2 Accounting Policies

Accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except as follows:

a) *Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations*

The following IFRSs and amendments thereto were adopted by the Company for the first time in the financial year ended 31 December 2019:

IFRS 16, Leases *(issued on 13 January 2016 and has a mandatory effective date of 1 January 2019.)*

The Company adopted IFRS 16 Leases in the financial year ended 31 December 2019, which had an impact on the Company's financial statements.

2.2 Accounting Policies (continued)

IFRS 16, Leases is 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 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 right of use assets and related liabilities , which indicate the impact of the first-time adoption of IFRS 16 on the Company's financial statements.

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

Instead of presenting all line items, only those items that are affected by IFRS 16 are disclosed (in EUR).

	As at 31 December 2018 (recognised prior to the adoption of IFRS 16)	Effect of adoption of IFRS 16	1 January 2019
ASSETS			
Non-current assets			
Right-of-use assets	-	213,963	213,963
In total	**-**	**213,963**	**213,963**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	210,223	210,223
Current liabilities			
Lease liabilities	-	3,740	3,740
In total	**-**	**213,963**	**213,963**

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

	1 January 2019
The future minimum lease payments under irrevocable operating lease agreements as at 31 December 2018:	**610,842**
The weighted average interest rate as at 1 January 2019	2.08 %
The lease liability recognised on 1 January 2019 by applying the weighted average interest rate	213,963
Add: Financial lease obligations recognised on 31 December 2018	-
Less: Commitments relating to short-term leases	-
Less: Commitments relating to leases of low-value assets	-
Lease liability as at 1 January 2019	**213,963**
Of which:	
Current lease liability	3,740
Non-current lease liability	210,223
	213,963

Practical expedients when the Company is a lessee

The following expedients is applied by the Company 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 (see Notes 2.7 and 2.10).

2.2 Accounting Policies (continued)

Annual Improvements to International Financial Reporting Standards 2015–2017 Cycle *(issued on 17 December 2017 with effective date of 1 January 2019)*

Effective for reporting periods beginning on or after 1 January 2019. The narrow scope amendments impact four standards:

- 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 clarify 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.

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

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. Updates have been approved European Commission. According to the Company's management, the first-time adoption of the amendments had no 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 Updates have been approved European Commission. Based on the assessment of the Company's management, the first-time adoption of the amendments had no 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 Interpretation has been approved European Commission. Based on the assessment of the Company's management, 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 Updates have been approved European Commission. Based on the assessment of the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

b) *Standards, amendments and interpretations issued but not yet effective*

2.2 Accounting Policies (continued)

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. The Standard has not yet been endorsed by the EU. This IFRS will have no impact on the Company's financial position or results of operations as insurance services are not provided.

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 the 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 this amendment 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.

2.2 Accounting Policies (continued)

IAS 1 Presentation of Financial Statements: **Classification of Liabilities as Current or Non-current** (Amendments) The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the European Union. The Company is currently assessing the impact of this amendment on its financial statements.

2.3 Foreign Currency

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency rate of exchange as at the date of statement of financial position.

Gains and losses from these transactions/translations are recognized in the statement of profit or loss and other comprehensive income.

2.4 Intangible Assets

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

Licenses

Amounts paid for licenses are capitalised and amortised over the period of validity of the licence.

Computer software

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

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

Category of intangible assets	Average useful life (in years)
Software, licences and technical documentation	3
Patents, rights acquired	3
Other intangible assets	4

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

2.5 Property, Plant, and Equipment

Property, plant, and equipment

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

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

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

Useful lives, residual amounts and depreciation methods are reviewed at each reporting date.

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

2.5 Property, Plant and Equipment (continued)

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

2.6 Financial Assets

All purchases and sales of financial assets are recognised on the trade date. Financial assets are initially recognised at fair value. The subsequent accounting for financial assets depends on their classification.

Following the adoption of IFRS 9 Financial Instruments as at 1 January 2018, the Company classifies its financial assets into the following 3 new categories:
(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (as at 31 December 2019 and 2018, the Company had no such assets); and
(ii) financial assets subsequently measured at fair value through profit or loss (as at 31 December 2019 and 2018, the Company had no such assets).

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.

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

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets classified as measured at fair value on initial recognition and financial assets compulsorily measured at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. Derivatives, including embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (under IFRS 9).
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. Financial assets that relate to cash flows that are not solely payments of principal and interest are recognized and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the above criteria for classifying debt instruments as measured at amortized cost or fair value through other comprehensive income, the debt instruments may be classified as measured at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Financial assets are measured at fair in the statement of comprehensive income, where net changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

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).

2.6 Financial Assets (continued)

Impairment of financial assets

In general, IFRS 9 requires the Company to recognize expected credit losses (ECLs) for all debt instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between all contractual cash flows and all the cash flows that the Company expects to receive, discounted at the approximate original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the impairment loss is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables and contract assets, the Company applies a simplified approach for computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises an impairment loss based on lifetime ECLs at each reporting date. The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment. The Company considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, they breach the contract (such as a default or delinquency in interest or principal payments), there exists a probability that they will enter bankruptcy or other financial reorganisation, and in cases where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets.

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

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

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

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

2.7 Right-of-Use Assets

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

Initial measurement of right-of-use assets

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

Subsequent measurement of right-of-use assets

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

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

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

2.7 Right-of-Use Assets (continued)

Category of right-of-use assets	Average useful life (in years)
Land	54–77
Vehicles and other equipment	4–5
Premises	1–2

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
The Company presents rights-of-use assets separately from intangible and tangible assets in the statement of financial position.

2.8 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 deposits in current bank accounts and other highly liquid short-term investments.

2.9 Financial Liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loan receivables and payables All financial liabilities at initial recognition are recognised at fair value and, for loans and receivables, less directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans received, including bank overdrafts, financial lease liabilities and derivatives.

Subsequent evaluation

Valuation of financial liabilities depends on their assignment as described below.

Loans received and other amounts due

After initial recognition, loans and other payables are carried at amortized cost using the effective interest method (EIR). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or amortized. Amortized cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortization is included in financial expenses in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities classified as measured at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing them in the near term.

Derecognition of financial liabilities

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

2.10 Lease Liabilities

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,

2.10 Lease Liabilities (continued)

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 shall 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 shall 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.

2.10 Lease Liabilities (continued)

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 presented in the statement of profit or loss and other comprehensive income.

2.11 Grants

Asset-related grants

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

Income-related grants

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are presented in the statement of profit or loss and other comprehensive income, less related expenses.

2.12 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.

2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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. The Company reviews existing provisions at each date of the statement of financial position and adjusts them to reflect the current best estimate. In cases where the effect of time value of money is significant, provisions are discounted before tax rate which reflects the risk typical for the liability. When discounting is applied, increase in the provisions reflecting the period of past time is accounted for as finance expense.

2.14 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.

Pension benefits to employees terminating on normal retirement date

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to the laws of the Republic of Lithuania. A liability for such pension benefits is recognised in the statement of financial position and reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the date of the statement of financial position is estimated with reference to actuary valuations. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the interest rates.

2.15 Income Tax

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

In 2019 and 2018, a standard income tax rate of 15 per cent was applicable to the companies in Lithuania.

2.15 Income Tax (continued)

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

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

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

2.16 Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, net of value added tax, returns and discounts. 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.

Revenue from provision of services is recognised in the accounting period in which the services are rendered. Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Interest income

Interest income is recognised on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

2.17 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 usually estimated by the amount of money paid or payable, excluding VAT.

2.18 Impairment of Non-Financial 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 comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

2.19 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.

2.20 Fair Value

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

2.20 Fair Value (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Valuations are performed by the Company's management at each reporting date. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

2.21 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. 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.

2.22 Events After the End of the Reporting Period

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

3 Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (interest rate risk, foreign exchange risk, risk of fair value of financial instruments) and capital management risk. In managing these risks, the Company seeks to mitigate the effect of factors which could make a negative effect on the financial performance of the Company.

Credit risk

The Company's exposure to credit risk arises from both operating activities (trade receivables and other accounts receivable) and financing activities (cash and cash equivalents, provision of loans).

The priority objective of the Company's treasury management is to ensure the security of funds and maximise return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions with a long-term credit rating (in foreign currency) not lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

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 and term deposits in accounts of the major banks in Lithuania awarded with "A-" and higher external credit rating by the rating agency Fitch Ratings.

In 2019, the Company's credit risk was not significant as the Company's amounts receivable comprised exclusively accounts receivable from the Group companies and cash at bank. The maximum exposure to credit risk equals to the carrying amount of the financial assets:

	As at 31 December 2019	As at 31 December 2018
Other receivables	165,857	106,300
Loans granted	-	7,477,044
Cash and cash equivalents	266,899	556,127
In total	**432,756**	**8,139,471**

Liquidity risk

3 Financial Risk Management (continued)

Liquidity risk is managed by planning the movement of cash flows of the Company. Cash flow forecasts are made to minimize liquidity risk. Short-term financing (credit lines) from both, the financial institutions and the shareholders is used to manage short-term mismatches of cash flows. The Company has signed the cashpool agreement with Ignitis Grupė UAB and its subsidiaries.

Under the agreement signed between Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) on 29 November 2019 for the loan of EUR 190 million designated for the funding of the construction of a co-generation power plant in Vilnius, the Company has to meet the requirements for certain indicators. As at 31 December 2019, the Company was fully complied with these requirements. The repayment of the total amount of the loan is secured by the guarantee agreement signed by Ignitis Grupė UAB. On 31 December 2019, the Company borrowed EUR 100 EUR million. The Company may borrow the remaining balance of the loan until 29 November 2023.

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.

	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years
As at 31 December 2019				
Lease liabilities	39,779	100,869	92,522	535,862
Loans and interest payable	261,300	783,900	4,180,800	104,600,744
Trade and other payables	6,529,544	-	-	-
As at 31 December 2018				
Lease liabilities	-	-	-	-
Loans and interest payable	-	-	-	-
Trade and other payables	3,594,287	-	-	-

Market risk

Interest rate risk

Interest rate risk mainly arises from short-term borrowings that might be necessary for the levelling out the working capital. Under the agreement signed between Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) on 29 November 2019 for the loan of EUR 190 million designated for the funding of the construction of a co-generation power plant in Vilnius, the Company can choose the type of interest for each part of the loan. Interest rate risk does not affect the Company: at the end of 2019, the Company's loan from EIB amounted to EUR 100 million (at the end of 2018: EUR 20 million), where all the parts of the loan are subject to a fixed interest rate.

Under the agreement signed between Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) on 5 December 2016 for the loan of EUR 190 million designated for the funding of the construction of a co-generation power plant in Vilnius, the loan may be disbursed in parts for which variable or fixed interest rates may be set. To manage interest rate risk in future the Company secured the possibility to borrow at a fixed or variable interest rate.

Foreign exchange risk

The Company's purchase transactions are denominated in the euro.

Fair value of financial instruments

Trade and other amounts receivable, trade and other debts, non-current and current debts represent the Company's financial assets and financial liabilities not carried at fair value.

The fair value is defined as the amount at which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. The fair value of financial assets and liabilities is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:
(a) The carrying amount of current trade and other accounts receivable, current trade payables and short-term borrowings approximates fair value due to their short maturity;
(b) The carrying amount of the cash approximates their fair value.
(c) The fair value of long-term borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. Based on the management estimates, the fair value of the Company's borrowings as at 31 December 2019 was close to EUR 87 million based on the interest rate applicable at the time for a similar loan.

Capital management

The Company's objectives when managing capital are to safeguard statutory compliance and the Company's ability to continue as a going concern.

3 Financial Risk Management (continued)

For the purpose of capital management, the Company's management defines capital as shareholders' equity. 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, the Company complied with these requirements.

Under the agreement signed between Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) on 29 November 2019 for the loan of EUR 190 million designated for the funding of the construction of a co-generation power plant in Vilnius, The Company has to meet certain requirements regarding the level of indebtedness of the Company and the entire group of Ignitis Grupė UAB companies. As at 31 December 2019, the requirements were satisfied. For the Company's net debt as at 31 December 2019 and 2018 please refer to Note 25. Pursuant to the aforementioned agreement with the EIB, certain additional financial restrictions apply at the level of the companies of Ignitis Grupė UAB. Compliance with these restrictions is ensured on the basis of a cooperation agreement regarding enforcement and implementation of a credit agreement between Vilniaus Kogeneracinė Jėgainė UAB and Ignitis Grupė UAB.

The Board of Ignitis Grupė UAB companies approved a common dividend policy, which sets uniform principles for the payment of dividends for all the group companies. The dividend policy is one of capital risk management tools. Based on the newly approved policy, distribution of dividends proposed by the Company will depend on the ratio of return on equity and net profit earned. According to dividend policy, appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, the Company's availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. Between 60% and 85% of net profit is appropriated for the payment of dividends, depending on the ratio of return on equity at the end of the reporting period.

- A company is not obliged to distribute dividends only when it incurs net loss. A company will not pay any dividends when its financial debts at the end of the reporting period are equal to or exceed four times EBITDA amount for the last twelve months as from the end of the reporting period.
- Dividends will not be paid if the Company's equity (after the payment of dividends) becomes lower than the sum of its share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Company will also be able not to pay dividends if its ratio of financial debts to equity becomes equal to or exceeds 1.0.

4 Critical Accounting Estimates and Judgements

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

Estimation regarding the realisation of deferred income tax assets

Deferred income tax assets are recognised for the temporary differences in the balance sheet when it is probable that future taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies (Note 22).

Evaluation of project implementation and going concern

The Company conducts internal risk assessments on an ongoing basis. The Company performs monitoring of the main contractors within the scope of the project activities, as well as financial position of the companies, and envisages possible risk management actions that could be taken. A required funding is secured in the following ways. The loan agreement was signed with the European Investment Bank with the possibility to obtain financing until 29 November 2023. The term of the support agreement signed with the Environmental Project Management Agency of the Ministry of Environment of the Republic of Lithuania was extended from 6 February 2020 to 20 April 2021. In February 2020, the extension of the agreement for implementation of project activities until 20 April 2021 was negotiated with the public institution Lithuanian Business Support Agency. The most significant contracts are additionally secured by performance guarantees.

Based on the Company's management assessment, the risk of going concern and impairment of assets is insignificant.

5 Intangible Assets

Dynamics of the Company's intangible assets during the year ended 31 December 2019 and 2018 provided below:

	Rights acquired, patents and licenses	Software projects in progress	In total
Net book value at 1 January 2019			
Opening net book value	-	-	-
Additions	84,300	166,514	250,814
Amortisation charge	(3,512)	-	(3,512)
Net book value at 31 December 2019	**80,788**	**166,514**	**247,302**
31 December 2019			
Acquisition cost	84,300	166,514	250,814
Accumulated amortisation	(3,512)	-	(3,512)
Net book value at 31 December 2019	**80,788**	**166,514**	**247,302**

6 Property, Plant, and Equipment

Dynamics of the Company's property, plant, and equipment during the year ended 31 December 2019 and 2018 provided below:

	Construction in progress and prepayments for non-current assets	Other property, plant and equipment	In total
Net book value at 1 January 2018	**24,103,631**	**4,073**	**24,107,704**
Additions	64,423,700	2,548	64,426,248
Depreciation charge	-	(2,334)	(2,334)
Net book value at 31 December 2018	**88,527,331**	**4,287**	**88,531,618**
31 December 2018			
Additions	88,527,331	7,333	88,534,664
Accumulated depreciation	-	(3,046)	(3,046)
Net book value at 31 December 2018	**88,527,331**	**4,287**	**88,531,618**
Net book value at 1 January 2019	**88,527,331**	**4,287**	**88,531,618**
Additions	149,247,726	202,367	149,450,093
Depreciation charge		(3,960)	(3,960)
Net book value at 31 December 2019	**237,775,057**	**202,694**	**237,977,751**
31 December 2019			
Additions	237,775,057	209,700	237,984,757
Accumulated depreciation		(7,006)	(7,006)
Net book value at 31 December 2019	**237,775,057**	**202,694**	**237,977,751**

On 29 September 2016, the agreements on construction works of the cogeneration power plant were signed with the contractors awarded a procurement contract. Commitments to construct the power plant's waste incinerators and general technological facilities for EUR 178.29 million were assumed by the international consortium consisting of German company Steinmuller Babcock Environment, Polish construction group Budimex and Lithuanian company Kauno Dujotiekio Statyba UAB. Whereas commitments to construct biofuel combustion facilities and supply infrastructure for nearly EUR 150 million were assumed by Polish company Rafako.

On 17 January 2017, the Company signed the agreement with AF-Consult, a company providing the FIDIC (International Federation of Consulting Engineers) engineer's services as stipulated in the contract agreement. In addition to the FIDIC engineer's services, AF-Consult committed to perform the functions of a technical supervisor of construction works of a structure stipulated in the Lithuanian legal acts. The latter company is also obliged to represent the builder in ensuring the choice of the most stringent environmental and the most advanced technological solutions.

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

During 2019, the Company capitalised EUR 1,317 thousand of interest and guarantee fees on borrowings intended to finance development of non-current assets (2018: EUR 338 thousand). The average capitalised interest rate was 1.42% in 2019 and 0.82% in 2018.

The Company has significant commitments to purchase property, plant and equipment to be fulfilled in later periods. As at 31 December 2019, the Company's commitments to purchase or construct property, plant and equipment under the aforementioned contracts amounted to EUR 98,839 million (31 December 2018: EUR 267.462 million). The Company has entered into additional arrangements for the purchase of property, plant and equipment, but the specific values of significant contracts have not yet been agreed.

7 Right-of-Use Assets

Dynamics of the Company's right-of-use assets during the year ended 31 December 2019 provided below:

	Land	Buildings	Vehicles	In total
Period ended 31 December 2019				
Opening net book value	-	-	-	-
Additions:	**199,851**	**173,732**	**92,585**	**466,168**
Whereof: recognition as right-of-use asset as at 01/01/2019	199,851	-	14,112	213,963
Whereof: lease contracts signed from 02/01/2019 to 31/12/2019	-	173,732	78,473	252,205
Depreciation charge	(3,043)	(64,571)	(16,666)	(84,280)
Net book value at 31 December 2019	**196,808**	**109,161**	**75,919**	**381,888**
31 December 2019				
Acquisition cost	199,851	173,732	92,585	466,168
Accumulated depreciation	(3,043)	(64,571)	(16,666)	(84,280)
Net book value at 31 December 2019	**196,808**	**109,161**	**75,919**	**381,888**

The Company's lease expenses are recognised in the statement profit or loss and other comprehensive income as follows:

	31/12/2019	31/12/2018
Depreciation charge	84,280	-
Interest charges	9,115	-
Current lease expenses (other expenses)	17,997	-
Low-value lease expenses (other expenses)	1,068	-
Lease expenses, total:	**112,460**	**-**

During 2019, lease expenses were not capitalised in the property, plant and equipment (or inventories, intangible asset) under the caption "Construction-in-progress" (2018: EUR 5,996).

8 Loans Granted

The Company has signed the group account (cashpool) agreement, under which the Company had not granted any loan to Ignitis Grupė UAB companies as at 31 December 2019 (31 December 2018: EUR 7,477,044). These loans are subject to market interest rate with the maturity for up to one year (short-term). The purpose of the agreement is effective management of the cash balances at the Group level.

	As at 31 December 2019	As at 31 December 2018
Loans granted (cashpool)	-	7,477,044
In total	**-**	**7,477,044**

9 Other Receivables

The Company's other accounts receivable as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Receivable VAT	148,032	105,331
Other accounts receivables (Note 11).	17,825	969
In total	**165,857**	**106,300**

10 Cash and Cash Equivalents

Cash, cash equivalents include the following for the purposes of the cash flow statement:

	As at 31 December 2019	As at 31 December 2018
Cash at bank	266,899	556,127
In total	**266,899**	**556,127**

The fair values of cash and cash equivalents as at 31 December 2019 and 2018 approximated their carrying amounts.

Based on the loan agreement signed with European Investment Bank (EIB), the Company pledged current cash balances and future inflows to bank accounts opened with Swedbank. As at 31 December 2019, the balance of cash pledged amounted to EUR 256 thousand (31 December 2018: there was no any cash pledged).

11 Equity

	As at 31 December 2019	As at 31 December 2018
Subscribed authorised share capital	52,300,000	36,600,000
Unpaid subscribed capital	(11,313,819)	-
Retained earnings (deficit)	(2,559,411)	(1,477,817)
In total	**38,426,770**	**35,122,183**

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

Ignitis Grupė UAB paid the initial contribution amounting to EUR 4,000,000.00 (which is more than one fourth of the value of newly subscribed shares) in cash on 23 January 2019. Ignitis Grupė UAB also made an in-kind contribution, evaluated by an independent property assessor Apus Turtas UAB, in the amount of EUR 386,181.00 (business consultations on matters relating to preparatory works for the design and construction of Vilnius co-generation power plant). The outstanding part of the price for subscribed shares, recognised in the current assets under the caption “Other accounts receivable” as at 31 December 2019 (refer to Note 9), shall be paid by the shareholder within 12 months from the date on which the share subscription agreement was signed. The remaining portion of EUR 11,313,819 of issued capital was paid on 16 January 2020.

As at 31 December 2019, the Company’s issued capital was divided into 180,344,828 ordinary registered shares with par value of EUR 0.29 each. As at 31 December 2018, the Company’s issued capital was divided into 126,206,897 ordinary registered shares with par value of EUR 0.29 each.

12 Grants and Subsidies

Balances of the Company’s asset-related grant as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Grants received	89,244,608	28,391,157
In total	**89,244,608**	**28,391,157**

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

Financing from the EU structural funds (the Cohesion Fund) already paid to the Company during 2019 amounted to Eur 60,853 thousand (during 2018: EUR 28,391 thousand). As at 31 December 2019, the remaining part of the grant to be received under the agreement with the APVA amounted to EUR 8,905,186 and under the agreement with the LVPA – EUR 41,262,200.

On 6 February 2020, the term of the agreement signed with the APVA for implementation of project activities was extended until 20 April 2021, and in February 2020, the extension of the agreement for implementation of project activities until 20 April 2021 was negotiated with the LVPA.

13 Lease Liabilities

Lease liabilities and their dynamics:

	2019	2018
Opening book value		
Recognition of lease liabilities under IFRS 16	213,963	-
Lease contracts concluded	252,207	-
Termination of lease (write-off of debt and accrued interest)	-	-
Interest charges	9,115	-
Lease payments (principal portion and interest)	(94,215)	-
Carrying amount at 31 December	**381,070**	**-**
Non-current lease liabilities	255,444	-
Current lease liabilities	125,626	-

Payments related to leases of 12 months or less and leases of low-value assets are classified as cash flows from operating activities.

13 Lease Liabilities (continued)

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

	As at 31 December 2019	As at 31 December 2018
Minimum payments		
Within one year	134,492	-
Two to five years	92,522	-
After five years	535,862	-
In total	**762,876**	**-**
Future finance costs		
Within one year	(8,866)	-
Two to five years	(32,666)	-
After five years	(340,274)	-
In total	**(381,806)**	**-**
Carrying amount	**381,070**	**-**

14 Non-Current Liabilities

The Company's non-current liabilities as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Loans received (Note 3)	99,796,096	19,784,480
Other non-current liabilities	85,384	174,988
Accrued interest	291,089	11,729
In total	**100,172,569**	**19,971,197**

The Company has concluded the agreement with the European Investment Bank (EIB) for the loan of EUR 190 million. As at 31 December 2019, the Company's unwithdrawn balance of loans amounted to EUR 90 million (31 December 2018: EUR 170 million). The Company may borrow the remaining balance of the loan until 29 November 2023.

15 Short-Term Loans

The Company's short-term loans as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Amounts borrowed by the Group companies at the Group's cashpool account	4,306,442	-
In total	**4,306,442**	**-**

The Company signed the Group account (cashpool) agreement (refer to Note 8), under which the Company may obtain short-term loans from other companies of the Group.

16 Trade payables

The Company's trade payables as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Accounts payables for non-current assets	6,312,324	3,496,111
Other payables	137,380	85,015
Interest payable	79,840	13,161
In total	**6,529,544**	**3,594,287**

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

17 Other Current Accounts Payable and Liabilities

The Company's other current accounts payable and liabilities as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Vacation pay accrual	107,834	72,202
Accrued variable part of remuneration	244,987	182,204
Other accrued expenses and liabilities	64,017	9,454,676
In total	**416,838**	**9,709,082**

The growth of employment-related liabilities was driven by both the increase in the number of employees and the average salary.

18 Salaries and related expenses

	2019	2018
Remuneration	602,796	166,280
Social security contributions	(46,215)	58,937
Vacation reserve costs	51,079	19,914
In total	**607,660**	**245,131**

19 Other Expenses

Other expenses in 2019 and 2018 were as following:

	2019	2018
Business support services	128,996	55,450
Management services	124,762	98,098
Depreciation and amortisation	91,649	2,334
Telecommunications and IT services	81,432	76,189
Public relations and marketing	70,379	25,436
Personnel development	47,979	10,069
Transportation expenses	41,194	53,722
Utility services	38,467	15,404
Lease	17,997	48,812
Taxes	7,952	6,072
Representation expenses	2,323	3,653
External legal expenses	(14,633)	54,921
Other expenses	60,324	31,641
In total	**698,821**	**481,801**

20 Finance Income

Other revenues in 2019 and 2018 were as following:

	2019	2018
Interest income on loans	39,815	7,434
Other finance income	780	-
Finance income, total	**40,595**	**7,434**

21 Finance Expenses

Finance expenses in 2019 and 2018 were as following:

	2019	2018
Interest and discount expense on lease liabilities	9,115	-
Expenses from changes in foreign exchange rates	3	1
Finance expenses, total	**9,118**	**1**

22 Income Tax

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

	As at 31 December 2019	As at 31 December 2018
Deferred income tax (expenses) income	193,410	102,060
Income tax (expenses) income recognised in the income statement	**193,410**	**102,060**

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

	2019	2018
Profit (loss) before tax	(1,275,004)	(716,589)
Income tax (expense) income calculated at the effective income tax rate	191,251	107,488
Non-taxable income	117	437
(Expenses) not deductible for tax purposes	2,042	(5,865)
Income tax (expense) income recognised in the statement profit or loss and other comprehensive income	**193,410**	**102,060**

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

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

	As at 1 January 2018	Tax loss carry forward transferred	Recognised in profit or loss	Recognised in the statement of other comprehend-sive income	As at 31 December 2018	Tax loss carry forward taken over	Recogni-sed in profit or loss	Recognised in the statement of other comprehend-sive income	As at 31 December 2019
Unused tax losses	69,764	(58,482)	88,150	-	99,432	8,079	188,868	-	296,379
Accrued wages, vacation reserve and taxes thereon	18,822	-	13,910	-	32,732	-	4,302	-	37,034
Deferred income tax asset before valuation allowance	88,586	-	102,060	-	132,164	-	193,170	-	333,413
Less: valuation allowance	-	-	-	-	-	-	-	-	-
Deferred income tax asset, net	**88,586**	**-**	**106,020**	**-**	**132,164**	**-**	**193,170**	**-**	**333,413**
Deferred income tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred income tax, net	**88,586**	**(58,482)**	**102,060**	**-**	**132,164**	**8,079**	**193,170**	**-**	**333,413**

The Company based on agreements on the transfer and acceptance of tax losses signed on 20 April 2018, transferred tax losses to NT Valdos UAB for a certain consideration on 24 May 2018 and 11 June 2019.

23 Related Party Transactions

As at 31 December 2019 and 2018, the parent company was Ignitis Grupė UAB The disclosures comprise transactions and balances of these transactions with the parent company, its subsidiaries (directly and indirectly controlled), entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

In 2019, the Company had 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. Other related parties of the Company are EPSO G UAB Group companies controlled by the Republic of Lithuania.

23 Related Party Transactions (continued)

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:

Related parties	Amounts receivable and accrued revenue	Amounts payable and accrued expenses	Sales	Purchases
	As at 31 December 2019	As at 31 December 2019	From 1 January 2019 to 31 December 2019	From 1 January 2019 to 31 December 2019
Ignitis Grupė UAB	11,313,819	3,483,514	20,000	124,762
Energijos Skirstymo Operatorius AB	7,746	-	23,279	-
Ignitis UAB	1,835	-	14,336	-
Energetikos Paslaugų Ir Rangos Organizacija UAB	78	-	793	-
Ignitis Grupės Paslaugų Centras UAB	15	5,977	234	81,528
Ignitis gamyba, AB	-	989,142	-	101,950
Verslo Aptarnavimo Centras UAB	-	16,633	-	194,491
Transporto Valdymas UAB	-	3,283	-	34,990
NT Valdos UAB	-	-	-	16,951
Energijos Tiekimas UAB	-	-	1,174	-
State-controlled EPSO G UAB Group companies	35,276	-	-	-
In total	**11,358,769**	**4,498,549**	**59,816**	**554,672**

Capitalised assets acquired from the group companies amounted to EUR 707,740 in 2019. Capitalised assets acquired from the group company EPSO-G UAB amounted to EUR 228,780 in 2019.

The Company's transactions with related parties between January and December 2018 and the balances arising on these transactions as at 31 December 2018 are presented below:

Related parties	Amounts receivable and accrued revenue	Amounts payable and accrued expenses	Sales	Purchases
	As at 31 December 2018	As at 31 December 2018	From 1 January 2018 to 31 December 2018	From 1 January 2018 to 31 December 2018
Energijos Skirstymo Operatorius AB	4,578,994	-	2,065	-
Energijos Tiekimas UAB	1,979,854	-	1,944	-
Lietuvos Energijos Tiekimas UAB	845,836	-	1,497	-
Energetikos Paslaugų Ir Rangos Organizacija UAB	73,330	-	1,280	-
NT Valdos UAB	-	5,655	190	65,284
Transporto Valdymas UAB	-	3,085	-	23,833
UAB Ignitis Grupės Paslaugų Centras (former Technologijų ir Inovacijų Centras UAB)	-	15,974	163	72,164
Ignitis Grupė UAB (former Lietuvos Energija UAB)	-	28,560	-	98,220
LITGAS UAB	-	-	288	-
Ignitis Gamyba UAB (former Lietuvos Energijos Gamyba UAB)	-	615	-	452
Verslo Aptarnavimo Centras UAB	-	30,596	7	61,336
Eurakras UAB	-	17	-	-
In total	**7,478,014**	**84,502**	**7,434**	**321,289**

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

Capitalised assets acquired from the group companies amounted to EUR 338,057 in 2018.

On 20 April 2018, the Company transferred tax losses to NT Valdos UAB for a certain consideration (EUR 58,482) under the Agreement on the Transfer and Acceptance of Tax Losses.

24 Compensation to Key Management Personnel

	2019	2018
Employment-related payments	331,182	159,358
Whereof: Other significant payments to key management personnel	-	-
Number of key management personnel as at 31 December	5	4

In 2019 and 2018, the Company's Chief Executive Officer and senior management were considered to be management.

25 Contingent Liabilities and Assets

On 5 December 2016, Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) signed the agreement for the loan of EUR 190 million designated for the funding of the construction of a cogeneration power plant in Vilnius. The EIB loan for this project is allocated from the European Strategic Investment Fund also referred to as the European Commission President Jean-Claude Juncker Plan. On 31 December 2019, the Company borrowed EUR 100 EUR million under this agreement.

The Company has estimated potential default interest payable contractors due to delays in the completion of interim works, but the final amount of default interest (fines) to be paid by contractors will be known only when all contractual obligations have been completed. As at 31 December 2019, there was no recognised default interest due from contractors.

Guarantees issued and received

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

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

On 21 February 2019, the Company has entered into a Guarantee Agreement with Swedbank AB in the amount of EUR 1.8 million to secure fulfilment of the Company's obligations associated with Vilniaus Šilumos Tinklai AB. As at 31 December 2019, the Company did not recognise any obligations under this guarantee agreement because the Company believes that Vilniaus Šilumos Tinklai AB will properly fulfil its responsibilities. On 31 December 2019, the guarantee amounted to EUR 1.8 EUR million. On 19 February 2020, the guarantee agreement was extended until 22 February 2021.

Tax audits

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances that could result in potential significant liabilities in this respect.

26 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 31 December 2018:

	2019	2018
Cash and cash equivalents	(266,899)	(556,127)
Short-term loans granted	-	(7,477,044)
Borrowings	104,325,302	19,809,370
Net debt	**104,058,403**	**11,776,199**
Cash and short-term loans granted	(266,899)	(8,033,171)
Borrowings – fixed interest rate	104,325,302	19,809,370
Net debt	**104,058,403**	**11,776,199**

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other debts relating to financing.

Reconciliation of net debt balances and cash flows from financing activities of 2019 and 2018:

	Other assets		Liabilities arising from financing activities		In total
	Cash (-)/overdraft (+)	Liquid investments*	Short-term loans	Non-current portion of long-term loan	
Net debt as at 1 January 2018	**(6,782,417)**	**(2,798,855)**	**-**	**-**	**(9,581,272)**
Cash flows	6,226,290	(4,678,189)	13,161	19,796,209	21,357,471
Other non-cash changes	-	-	-	-	-
Net debt as at 31 December 2018	**(556,127)**	**(7,477,044)**	**13,161**	**19,796,209**	**11,776,199**
Cash flows	289,228	7,477,044	4,430,661	80,085,271	92,282,204
Other non-cash changes	-	-	-	-	-
Net debt as at 31 December 2019	**(266,899)**	**-**	**4,443,822**	**99,881,480**	**104,058,403**

* Liquid investments are financial assets that include short-term investments recognised as loans at amortised cost. Their cash flows are classified as cash flows from investing activities.

27 Events After the Reporting Period

There were no significant events after 31 December 2019 and until the date of approval of the financial statements, except for:

On 16 January 2020, Ignitis Grupė UAB paid up the remaining EUR 11,313,819 of the issued capital (refer to Note 11).

On 6 February 2020, the term of implementation of the project agreement with APVA was extended until 20 April 2021, and in February 2020, the extension of the agreement for implementation of project activities until 20 April 2021 was negotiated with the LVPA (refer to Note 12).

On 19 February 2020, the guarantee agreement signed with Swedbank AB was extended until 22 February 2021 (Note 25).

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ANNUAL REPORT OF VILNIAUS KOGENERACINĖ JĖGAINĖ 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:	Vilniaus Kogeneracinė Jėgainė UAB
Legal form:	Private Limited Liability Company
Issued capital	EUR 52,300 thousand
Date of registration:	As at 26/02/2015
Place of registration:	State Enterprise Centre of Registers
Company code:	303782367
Registered office address:	Žvejų st. 14, LT-09310 Vilnius
Register name:	State Enterprise Centre of Registers
Telephone:	+370 620 65856
Fax:	-
E-mail:	vkj@ignitis.lt
Website:	www.vkj.lt

Description of the Company's activities and service market

The Company is engaged in building and preparing for operation the cogeneration power plant in Vilnius with a capacity of app. 92 MW electric and app. 229 MW thermal power in order to produce the energy by using residual waste from households recycling, as well as other waste which, because of its nature or composition, is similar to waste from household, and bio-fuel. The Company's main clients are expected to include the Vilnius district heating supplier, waste management centres and other waste managing entities; electricity will be sold on the electricity exchange.

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

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

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

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

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

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

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

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

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

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

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

Financing from the EU structural funds (the Cohesion Fund) already paid to the Company until 31 December 2019 amounted to EUR 89,245 thousand.

Description of key risks and uncertainties faced by the Company

Economic risk

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

Competitive environment risk

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

Regulatory and political risk

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

Environmental risk

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

Personnel management risk

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

Financial risk

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

Credit risk

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

Liquidity risk

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

Interest rate risk

Interest rate risk mainly arises from short-term borrowings that might be necessary for the levelling out the working capital. In 2019, the Company's operations were financed using both the share capital and borrowed funds.

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

In 2019, the Company continued the implementation of the Project and earned revenue from financing activities – from lending funds through the group account (cashpool) (EUR 40 thousand) and default interest (EUR 1 thousand). Other revenue from previous settlement of accounts (EUR 76 thousand) were capitalised.

In 2019, operating expenses amounted to EUR 1,306 thousand (2018: 727 thousand), whereof wages and related contributions amounted to EUR 608 thousand, business support services – EUR 129 thousand, business management services – EUR 125 thousand, depreciation and amortisation – EUR 92 thousand, telecommunications and IT services – EUR 81 thousand, public relations and marketing – EUR 70 thousand, personnel development – EUR 48 thousand, transportation expenses – EUR 41 thousand, utility services – EUR 38 thousand, lease – EUR 18 thousand, business trips – EUR 16 thousand, external audit expenses – EUR 12 thousand, taxes – EUR 8 thousand, and other expenses – EUR 20 thousand. Litigation expenses awarded for the benefit of the Company (EUR 32 thousand) covered the external legal costs incurred. Finance expenses included interest and discount expenses on lease liabilities (EUR 9 thousand).

The Company's net loss for 2019 amounted to EUR 1,082 thousand (2018: EUR 615 thousand). In 2019, deferred income tax benefit amounted to EUR 193 thousand (2018: EUR 102 thousand).

The Company has estimated potential default interest payable contractors due to delays in the completion of interim works, but the final amount of default interest (fines) to be paid by contractors will be known only when all contractual obligations have been met. As at 31 December 2019, there was no recognised default interest due from contractors.

As at 31 December 2019, the Company was committed to acquire property, plant and equipment from main contractors in the amount of EUR 98,839 thousand (31 December 2018: EUR 267,461 thousand).

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 33 employees (average number of employees). As at 31 December 2019, the Company's team consisted of 44 employees (41.7 positions occupied).

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

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

Information on own shares 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.

As at 31 December 2019, the total amount of the Company's issued capital equalled to EUR 52,300,000.12, whereas a fully paid portion amounted to EUR 40,986,181.13. The issued capital comprised 180,344,828 ordinary registered shares at par value of 0.29 EUR each.

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 remaining portion of EUR 11,313,818.99 of issued capital was paid on 16 January 2020.

The Company's operation plans and forecasts

The Company plans to continue its current activities, ensure business continuity and create returns for shareholders. The plant is expected to be operational in the second half of 2021.

In cooperation with the Municipality, the Company intends to launch 2 infrastructure projects in 2020: construction of the fuel street (estimated share of the Company EUR 0,4 million) and noise barrier on Dubliškių street.

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

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

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

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

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

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

The Company's Board consists of 3 members. As at 31 December 2019, the Board consisted of the following:

Full name	Participation of Board members in other activities	Number of shares held at the Company
Dominykas Tučkus	Main workplace: • Ignitis Grupė UAB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), member of the Board, Director for Infrastructure and Development. Other executive positions: • Ignitis Gamyba AB (company code 302648707, address: Elektrinės st. 21, LT-26108 Elektrėnai), chairman of the Supervisory Board; • Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Member of the Board (until 01/06/2019); • Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), member of the Supervisory Board (since 01/06/2019); • EURAKRAS UAB (company code 300576942, Žvejų st. 14, 09310 Vilnius), chairman of the Board (until 03/09/2019); • OU TUULEENERGIA (company code 10470014, address: Pärnumaa, Varbla vald, Keskus, 88208 Estonia) chairman of the Board (until 28/01/2019); • Ignitis Renewables UAB (company code 304988904, address: P. Lukšio st. 5B, LT-08221 Vilnius) chairman of the Board (since 03/01/2019); • Smart Energy Fund powered by Ignitis Grupė KŪB (Company code 304596351, Antakalnio st. 17, 10312 Vilnius), Member of the Advisory Committee.	-
Dr Nerijus Rasburskis	Main workplace: • Ignitis Grupė UAB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), head of the Department of Heat and Electricity Solutions. Other executive positions: • Kauno Kogeneracinė Jėgainė UAB (company code 303792888, Žvejų g. 14, LT-09310 Vilnius), member of the Board; • Ekonavitas MB (company code 303375193, Prancūzų g. 105-17, Kaunas); sole founder and manager.	-
Paul K. Dainora	Main workplace: • Air Liquide Global E&C Solutions Germany GmbH (company code Frankfurt am Main HRB 82129, address: Olof-Palme-Straße 35, D-60439 Frankfurt am Main, Germany) Director Sales and Business Development.	-

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

Full name	Start of term of office	End of term of office	Number of shares held at the Company
Saulius Barauskas	As at 1 October 2015	As at 1 January 2023	-