AB "Civinity"

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED
BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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INFORMATION ABOUT THE PARENT COMPANY

Name of the Group	AB „Civinity“
Legal form	Public limited liability company
Company code	302247881
Registered office address	Naujoji Riovonių 25B, LT-03153 Vilnius
Date of registration	13 November 2008
Registrar	State enterprise Centre of Registers
Profile of activities	Business and other management consultations
Group's financial year	Calendar year
Chief Executive Officer	Raimonda Kižienė
Auditors and address	PricewaterhouseCoopers UAB J.Jasinskio g. 16B LT-03163 Vilnius Telephone: (8~5) 239 2300 Fax: (8~5) 239 2301 Email: vilnius@lt.pwc.com

Independent auditor's report

To the shareholders of Civinity AB

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

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 consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the consolidated annual report.

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

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

On behalf of PricewaterhouseCoopers UAB

Radzevičienė

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
27 August 2020

ANNUAL REPORT OF THE GROUP FOR THE YEAR 2019

1. Objective overview of the Group's financial position, performance and development, description of its exposure to key risks and contingencies

AB "Civinity" ("the Company") is a public limited liability company registered in the Republic of Lithuania on 13 November 2008. The address of its registered office is as follows: Naujoji Riovonių 25B, LT-03153, Lithuania. With effect from 13 March 2017, a private limited liability company Civinity was reorganised to a public limited liability company. The Company's name after the reorganisation is AB "Civinity".

The Group companies controlled by AB "Civinity" ("the Group") provide facility management, administration, engineering system maintenance and repair services, participate in renovation projects, carry out outdoor area maintenance and cleaning, provide household and waste collection and removal services.

The business of AB "Civinity" is the management of the Group companies and provision of services to the Group companies.

Currently the Group companies operate in Lithuania and Latvia. The area of multi-apartment buildings premises serviced by the Group covers more than 4,05 million sq. m. (at the end of 2018 the residential area under administration was 4,17 million square meters).

After significant investments into expansion in the Baltic countries made in 2017 and 2018, there were no substantial investsments in 2019.

The Group assesses general risks relating to economical, political and social factors such as Brexit and Covid-19 and therefore it is careful in choosing markets for investments and expansion. Such factors as consumer price inflation, rising remuneration, improving consumer sentiments, demographical changes, and economic growth are considered as the most important ones for the Group's operations both in Lithuanian and Latvian markets.

2.Analysis of the financial and non-financial performance, information on environmental and personnel-related issues

In 2019 the Group's consolidated revenues increased by EUR 8,05 million and amounted to EUR 44,63 million (2018: EUR 36,58

The key factor for the revenue increase in 2019 was acquisition of Dizaja and Statinių priežiūra on 01 July 2018, which suggests that in contrast to 2018 full year revenue of the two new companies were consolidated in 2019 (EUR 8,3 m).

The Group's net loss for 2019 amounted to EUR -0,18 million (2018 net loss amounted EUR -1,66 million). Net loss margin was equal to -0,41% in 2019 (2018 net loss margin: -5%).

The main factors for the Group consolidated loss improvement in 2019 were as follow: sharp increase in revenue, thus increase in gross profit (EUR 0,9 m); decrease in administrative expenses (EUR 0,4 m) mainly driven by less professional services hired.

3. Number and nominal value of the shares of the Company acquired and held by the Company or the Group companies and the percentage of authorised share capital they represent

During 2019 the Company and the Group companies neither acquired nor disposed any shares of the Company and on 31 December 2018 the Company and the Group companies held no shares of the Company.

4. Information on branches and representative offices of the entity

The Company has nor branches neither representative offices.

5. Significant events subsequent to the end of the current financial year

On 20 February 2020 Civinity OU and SIA "NORD FIN ASSET" has signed share purchase agreement under which SIA "NORD FIN ASSET" has acquired from Civinity OU 100% shares of the Company. The title to all shares passed to SIA "NORD FIN ASSET" on 30 March 2020.

On 12 March 2020 Virgeda Jackaitė was appointed as the Member of the Supervisory Board replacing Jurgita Trinskienė.

Vitoldas Sapožnikovas, chairman of the Supervisory Board was revoked from the Supervisory Board on 7 April 2020 and on 16 April 2020 Deividas Jacka was appointed as the Member of the Supervisory Board. On 10 April 2020 Deividas Jackas revoked himself from the Board of the Company.

On 20 April 2020 Algridas Šabūnas was appointed as the Member of the Board. On 27 April 2020 Vaidas Barakauskas was appointed as the Member of the Board replacing Domas Dargis.

On 28 April 2020 Domas Dargis was appointed as the Member of the Supervisory Board. On 30 April Deividas Jacka was appointed as the chairman of the Supervisory Board.

On 18 May 2020 Raimonda Kižienė was appointed as the new CEO of the Company replacing Giedrius Eidimtas.

On 19 May 2020 Raimonda Kižienė was appointed as the Member of the Board replacing Algirdas Šabūnas. On 27 May 2020 Gabrielius Morkūnas and Erika Sirutytė were appointed as the new Members of the Board replacing Linas Obuolevičius and Vaidas Barakauskas. On 28 May 2020 Raimonda Kižienė was appointed as the chairwoman of the Board.

Supervisory Board of the Company has revoked all members of Board from 2 August 2020 and as of 3 August 2020 new composition of the Board was elected for a new 4 years cadence. Following members of the Board were elected: Raimonda Kižienė, Gabrielius Morkūnas, Erika Sirutytė and Rūta Lapinskienė. On 3 of August Raimonda Kižienė was appointed as the chairwoman of the Board.

6. The Group's operation plans and prospects

In 2020, the Group plans further development of its business activities. The main focus will be on the organic growth. Sales revenues are expected to increase by 15,7 %, and the Group's operations are expected to be profitable.

In 2020, the Group's management plan to operate consistently in view of improving its productivity, business efficiency and optimizing business processes. A special focus will be on cost efficiency and receivables management. It will be looked for different innovations to improve customer service and increase their satisfaction. Cost control procedures will be enforced strongly.

7. Information about the Group's research and development activities

In 2019, the Group continued to develop the facilities management information system ("FMS") which is used internally for business processes integration and combines services order desk, services execution and statement up to invoicing and cash collection. The FMS is developed with support of IT companies BlueBridge Solutions and NFQ systems.

In 2019, the Group continued the implementation of the billing system developed by the company BlueBrige Solutions UAB in the Group companies in Lithuania and started the implementation of this system in Latvia.

8. Financial risks of the Group

The Group's borrowings mostly comprise borrowings and finance lease liabilities bearing a variable interest rate linked with EURIBOR that expose the Group to the interest rate risk. As at 31 December 2019 and 2018, there were no financial instruments designated to control the risk of interest rate fluctuations.

The Group focuses strongly on improving internal credit management processes in order to minimize bad debt losses.

Raimonda Kižienė
Chief Executive Officer
27 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
Revenue from contracts with customers	6	44 618 302	36 579 931
Cost of sales	7	-34 651 768	-27 545 368
Gross profit		**9 966 534**	**9 034 563**
Distribution expenses	8	-554 100	-451 517
Administrative expenses	8	-9 232 471	-9 287 071
Other income		223 414	296 066
Other gains (losses) – net	9	238 079	-185 382
Results from operating activities		**641 456**	**-593 341**
Interests income		17 877	6 740
Interests expenses		-766 255	-791 904
Profit before income tax		**-106 922**	**-1 378 505**
Income tax expense	10	-86 678	-160 313
Profit for the period		**-193 600**	**-1 538 818**
Other comprehensive income		-	-
Total comprehensive income for the period – net of tax		**-193 600**	**-1 538 818**
Profit for the period and total comprehensive income attributable to:			
Parent's shareholders		-198 960	-1 788 742
Non-controlling interest		5 360	249 924
		-193 600	**-1 538 818**

The accompanying notes on pages from 13 to 46 form an integral part of these financial statements.

Chief Executive Officer	Raimonda Kižienė	27 August 2020
Chief Financial Officer	Gabrielius Morkūnas	27 August 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2019	At 31 December 2018
ASSETS			
Non-current assets			
Goodwill	11	8 035 920	8 377 381
Other intangible assets	11	5 363 815	5 731 143
Property, plant, and equipment	12	487 807	1 290 101
Right-of-use assets	13	1 807 047	-
Other investments		24 311	27 057
Deferred income tax assets	10	160 491	74 620
Loans granted	15	16 161	368 279
Other amounts receivable		5 921	8 797
Total non-current assets		**15 901 474**	**15 877 378**
Current assets			
Inventories	16	325 920	221 434
Contract assets	18	127 011	0
Trade receivables	18	9 588 708	9 555 299
Other amounts receivable	18	2 350 691	2 370 987
Prepayments	19	481 428	874 069
Cash and cash equivalents	20	3 342 936	3 292 423
Total current assets		**16 216 694**	**16 314 212**
TOTAL ASSETS		**32 118 168**	**32 191 590**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	100 000	100 000
Retained earnings (deficit)		1 766 424	1 942 106
Equity attributable to shareholders of the Parent		1 866 424	2 042 106
Non-controlling interest		188 929	206 848
Total equity		**2 055 353**	**2 248 954**
Liabilities			
Non-current liabilities			
Borrowings	22	5 975 439	377 291
Lease liabilities		1 167 671	-
Trade payables		123 471	123 978
Deferred income tax liability	10	81 003	88 537
Provisions		105 000	-
Other non-current liabilities		11 539	2 000
Total non-current liabilities		**7 464 124**	**591 806**
Current liabilities			
Borrowings	22	2 500 000	9 403 759
Lease liabilities		600 574	-
Trade payables		8 475 652	8 506 578
Contract liabilities	23	5 271 967	4 793 252
Advances received	24	1 939 653	2 113 472
Income tax liability		123 269	86 855
Provisions		45 000	-
Other current liabilities	25	3 642 576	4 446 914
Total current liabilities		**22 598 691**	**29 350 830**
Total liabilities		**30 062 815**	**29 942 636**
TOTAL EQUITY AND LIABILITIES		**32 118 168**	**32 191 590**

The accompanying notes on pages from 13 to 46 form an integral part of these financial statements.

Chief Executive Officer	Raimonda Kižienė	27 August 2020
Chief Financial Officer	Gabrielius Morkūnas	27 August 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interest	Total equity
Equity as at 1 January 2018		100 000	3 730 840	3 830 840	-43 068	3 787 772
Profit (loss) for the period			-1 788 742	-1 788 742		-1 538 818
Total comprehensive income for the period		**0**	**-1 788 742**	**-1 788 742**	**249 924**	**-1 538 818**
Equity as at 1 January 2019		**100 000**	**1 942 098**	**2 042 098**	**206 856**	**2 248 954**
Profit (loss) for the period			-198 961	-198 961	5 360	-193 601
Total comprehensive income for the period			**-198 961**	**-198 961**	**5 360**	**-193 601**
Acquisition of minority interest			23 287	23 287	-23 287	0
Total transactions between equity holders		**0**	**23 287**	**23 287**	**-23 287**	**0**
Equity as at 31 December 2019		100 000	1 766 424	1 866 424	188 929	2 055 353

The accompanying notes on pages from 13 to 46 form an integral part of these financial statements.

Chief Executive Officer	Raimonda Kižienė	27 August 2020
Chief Financial Officer	Gabrielius Morkūnas	27 August 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		-106 922	-1 378 505
Adjustments for non-cash expenses (income):			
Depreciation and amortisation		1 577 775	871 804
Loss allowances (reversal)	8	319 601	-75 405
Interest expenses		766 255	791 904
Interest income		-17 877	-6 740
(Gain) loss on disposal of property, plant and equipment	9	-238 079	185 382
Provisions		150 000	0
Other gain (loss) - net		206 874	0
Changes in working capital			
(Increase) decrease in inventories		-104 486	240 086
(Increase) decrease in trade receivables		-33 409	-862 620
(Increase) decrease in prepayments		392 641	16 026
(Increase) decrease in contract assets		-127 011	0
(Increase) decrease in other amounts receivable		20 296	-697 979
(Increase) decrease in other current assets		0	200 054
Increase (decrease) in trade payables		-31 433	672 928
Increase (decrease) in contract liabilities		478 715	251 649
Increase (decrease) in advance amounts received		-173 819	-345 290
Increase (decrease) in other amounts payable		-758 386	-18 980
Net cash flows generated from operating activities		**2 320 735**	**-155 686**
Cash flows from investing activities			
Purchase of intangible assets	11	-181 571	-267 738
Purchase of property, plant and equipment	12	-266 535	-302 240
Disposal of non-current assets		691 190	469 822
Loans granted		-15 662	-58 053
Loan repayments received		50 000	45 803
Interest received		17 877	6 740
Acquisition of subsidiary, net of cash acquired	9	-61 900	-1 223 388
Net cash flows used in investing activities		**233 399**	**-1 329 054**
Cash flows from financing activities			
Interest paid		-766 255	-791 904
Proceeds from borrowings		0	153 807
Repayments of borrowings	22	-953 706	-1 600 000
Lease payments (2018 finance lease payments)	13	-783 661	-247 803
Net cash flows generated from (used in) financing activities		**-2 503 622**	**-2 485 900**
Net increase (decrease) in cash flows		**50 513**	**-3 970 640**
Cash and cash equivalents at the beginning of the period		**3 292 423**	**7 263 063**
Cash and cash equivalents at end of the period	20	**3 342 936**	**3 292 423**

The accompanying notes on pages from 13 to 46 form an integral part of these financial statements.

Chief Executive Officer	Raimonda Kižienė	27 August 2020
Chief Financial Officer	Gabrielius Morkūnas	27 August 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.GENERAL INFORMATION

1.1.Information about the Company

AB "Civinity" ("the Company", company code 302247881) is a public limited liability company registered in the Republic of Lithuania. It was established on 13 November 2008. The Company's registered office and head office address is Naujoji Riovonių 25B, Vilnius, Lithuania. The Company's core line of business is management of subsidiaries and consulting services.

From 30 March 2020 the sole shareholder and ultimate shareholder of the Company is SIA "NORD FIN ASSET" (registration number 44103136863, adress: Dubultu prospekts 3, Jurmala, Latvia) (Note 28). Civinity OU (registration number 12852553, address: Roosikrantsi 2k-222, Tallinn city, Harju country, 10119 Estonia, management board member Dzintars Stašulis) was the sole shareholder of the Company untill 30 March 2020. Javis Trust was the ultimate shareholder of the Group, address of the entity: Georgious Griva Digeni 81-83, Jacovides Tower, Republic of Cyprus, utill 30 March 2020. The sole ultimate beneficiary holding a 100% ownership interest SIA "NORD FIN ASSET" is Deividas Jacka. The ultimate beneficiary owners in the fund Javis Trust was the residents of the Republic of Lithuania.

Members of Supervisory Board:

- Deividas Jacka, Member of the Supervisory Board (since 16 April 2020) and Chairman of the Supervisory Board (since 30 April 2020),
- Virgeda Jackaitė, member of the Supervisory Board (since 12 March 2020),
- Domas Dargis, member of the Supervisory Board (since 28 April 2020),
- Vitoldas Sapožnikovas, Chairman of the Supervisory Board (from 17 April 2018 until 7 April 2020),
- Karolis Pocius, member of the Supervisory Board (from 17 April 2018 until 13 February 2019),
- Jurgita Trinskienė, member of the Supervisory Board (from 17 April 2018 until 12 March 2020).

Members of Board:

- Raimonda Kižienė Chairman of the Board, Company's Chief Executive Officer (since the 19 May 2020 (replaced Giedrius Eidimtas)),
- Gabrielius Morkūnas, Board Member (since the 27 May 2020 (replaced Linas Obuolevičius)),
- Erika Sirutytė, Board Member (since the 27 May 2020),
- Rūta Lapinskienė, Board Member (since the 03 August 2020),
- Giedrius Eidimtas, Board Member (since 25 September 2019 (replaced Dalia Andrulionienė)),
- Dalia Andrulionienė, Board Member (from 5 November 2018 until 25 September 2019),
- Gintautas Mažeika, Board member (from 10 August 2018 until 22 August 2019) and Chairman of the Board (from 13 August 2018 until 22 August 2019),
- Linas Obuolevičius, Board Member (from 23 January 2019 until 27 May 2020),
- Deividas Jacka, Board Member (from 10 August 2018 until 10 April 2020),
- Dita Daukste, Board Member (from 25 Septeber 2019 until 21 October 2019),
- Domas Dargis, Board Member (from 6 September 2019 until 27 April 2020),
- Ignas Pranskevičius, Board Member (from 23 November 2018 until 25 September 2019),

From 5 November 2018 to 30 September 2019 Dalia Andrulionienė was CEO of the Company and the Group and since she was replaced by Giedrius Eidimtas. Giedrius Eidimtas was replaced by Raimonda Kižienė as of 18 May 2020.

As at 31 December 2017, the Company's authorised share capital consisted of 100 ordinary registered shares with par value of EUR 1.000 each. All the shares of the Company have been fully paid up. The subsidiaries do not hold the Company's shares. The Company's shares are not publicly traded.
As at 31 December 2019, the Company had 41 employees (31 December 2018: 10 employees).

1.2.Information about the Group

The Group is a rapidly expanding international Group of companies providing a wide range of high quality services in the areas of real estate management, maintenance and operation. The main services related to real estate objects provided by the Group companies are as follow:

-Maintenance and administration of buildings;
-Cleaning of indoor premises and outdoor area management;
-Removal of waste;
-Heating and ventilation systems maintenance;
-Construction and repair works;
-Liquidation of accidents;
-Other.

The Group was formed through the privatisation of local facility management companies in Lithuania and later on expanded to Latvian market. In 2005, the first facility management company Vitės Valdos UAB (Klaipėda town, Lithuania) was privatised. In 2006 companies Palangos Butų Ūkis UAB and Debreceno Valda UAB were acquired from municipalities of Palanga and Klaipeda (Lithuania). In 2008 investment management and consulting services company Facilities Management UAB was established, which became a holding company that took over shares of the mentioned facilities management companies, their management and laid foundations for the formation of the Group. In 2010, the Group completed the privatisation of municipal companies Senamiesčio Ūkis UAB (Vilnius, Lithuania) and Kretingos būstas UAB (Kretinga, Lithuania) and in 2012 municipal company Būsto Valda UAB was privatised in Kaunas (Lithuania). In 2014, having won the auction on the privatisation of Latvian company Jūrmala Namsaimnieks SIA (Jurmala), the Group started its business expansion to Latvian market. Later in 2015 Facilities Management UAB was renamed to Civinty UAB and Group companies started using the new trademarks of Civinity and Civinity Solutions in addition to their company names. In 2016 Civinity UAB shareholder took decision to increase share capital of the Company and in 2017 Company's legal form was transformed from private limited liability company to public limited liability company AB "Civinity".
The Group's expansion to Latvian market took the following steps:

in 2016 Hausmaster AS, Home master SIA and CS Komercserviss SIA were acquired;
in 2017 Labo Namu Aģentūra SIA was acquired;
in 2018 SIA "VBS Serviss" and SIA ALG Cleaning were acquired.

In 2018, the Group via the joint ventures with the UAB "Partnerystės projektai P" acquired two companies in Lithuania - Statiniu priežiūra UAB and Dizaja UAB. These companies provide building administration and technical engineering services to a commercial and residential clients.

As at 31 December 2019 and 2018, the Group consisted of the Company and the following subsidiaries and associates:

Title of the subsidiary or associate	Country	Type of Ownership	Profile of activities	Ownership interest held at 31 December 2019	Ownership interest held at 31 December 2018
UAB "SENAMIESČIO ŪKIS"	Lithuania	direct	facility management services	100%	100%
UAB "Būsto valda"	Lithuania	direct	facility management services	100%	100%
UAB "Palangos butų ūkis"	Lithuania	direct	facility management services	99,11%[1]	98,44%
UAB "Kretingos būstas"	Lithuania	direct	facility management services	100%	100%
UAB "DEBRECENO VALDA"	Lithuania	direct	facility management services	100%	100%
UAB "VITĖS VALDOS"	Lithuania	direct	facility management services	100%	100%
UAB "KLAIPĖDOS BENDRABUTIS"	Lithuania	direct	facility management services	70,36%	70,36%
UAB "Ozo miestas"	Lithuania	direct	facility management services	100%	100%
UAB "Pastatų ūkio priežiūra"	Lithuania	direct	facility management, construction and repair service	100%	100%
UAB "Pastatų meistrai"	Lithuania	direct	facility management, construction and repair service	100%	100%
UAB "Civinity LT"	Lithuania	direct	services centre	100%	100%
UAB "Būsto administravimas"	Lithuania	direct	holding company	100%	100%
UAB "Debreceno NT"	Lithuania	direct	real estate administration	95%	95%
Jūrmalas namsaimnieks SIA	Latvia	direct	facility management services	100%	100%
CS Apkope SIA	Latvia	direct	facility management services	100%	100%
CS Finance SIA	Latvia	direct	services centre	100%	100%
CS Renovacija SIA	Latvia	Jūrmalas namsaimnieks SIA	construction and repair services	100%	100%
Hausmaster AS	Latvia	direct	facility management services	100%	100%
Home Master SIA	Latvia	direct	facility management services	100%	100%
CS Komercserviss SIA	Latvia	direct	facility management services	100%	100%
LABO NAMU AĢENTŪRA SIA	Latvia	direct	facility management services	100%	100%
UAB ART Investicijos	Lithuania	direct	facility management services	---[2]	100%
UAB SPV 30	Lithuania	direct	no activities	---[3]	100%
SIA Viens rekins	Latvia	direct	no activities	100%	100%
SIA ALG cleaning	Latvia	direct	cleaning services	100%	100%
SIA VBS Serviss	Latvia	direct	facility management services	100%	100%
UAB "SPV 31"	Lithuania	direct	business management operations	51%	51%
UAB "SPV 32"	Lithuania	direct	business management operations	51%[4]	49%
UAB "Statinių priežiūra"	Lithuania	UAB "SPV 31"	commercial sector facility management services	51%	51%
UAB "Dizaja"	Lithuania	UAB "SPV 32"	commercial sector facility management services	51%[5]	49%
SIA Birznieka projekti	Latvia	direct	no activities	100%[6]	---

[1] 2019 06 Palangos butų ūkis UAB acquired 0,67 % of shares from individuals.
[2] 2019 12 17 sold out 100 % the shares of ART nvesticijos UAB
[3] 2019 12 17 sold out 100 % the shares of SPV 30 UAB
[4] 2019 04 30 it was acquired additional 2 % shares of SPV 32 UAB
[5] 2019 04 30 it was acquired additional 2 % shares of Dizaja UAB
[6] 2019 01 09 it was acquired 100 % shares of Birznieka projekti SIA (Note 9)

As at 31 December 2019, the Group had 1.435 employees (31 December 2018: 1.432) employees.

The Group's management approved these financial statements on 27 August 2020

As required, management has prepared the annual financial statements which should be approved at the General Shareholders' Meeting. The shareholders have a statutory right not to approve the annual financial statements and to require preparation of a new set of the financial statements.

1.3. Changes at the Group in 2019

On 9 January 2019 Civinity AB signed share purchase agreement according to which it acquired 100% shares of Birznieka projekti SIA. The value of acquisition is EUR 67.000 and it is paid by cash contribution. The transaction was completed on 7 February 2019. The acquired company shall participate in utility payment processing business of the Group. Acquired company Birznieka projekti SIA has no assets on the balance sheet and is carrying only EUR 77 thousand liabilities for the Group companies on the acquisition date. (Note 9)

On 30 April 2019 Civinity AB has signed the share purchase agreement to acquire additional 2% share interest in SPV 32 UAB (which owns 100% shares of Dizaja UAB) from Partnerystės Projektai P UAB for EUR 50. The transaction was completed on 30 May 2019 by paying agreed consideration in cash. After the completion the Company controls 51% interest in Dizaja UAB.

In May and June 2019 Civinity AB has signed five share purchase agreements with individuals to acquire additional 0,67% shares in Palangos butų ūkis UAB. The transactions were completed on 13 June 2019 by paying agreed considerations amount EUR 1150 in cash.

On 7 November 2019 the share capital increase of LABO NAMU AGENTŪRA SIA by EUR 803.720 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 1 by EUR 283 and it was paid in by the cash contributions of the Company.

On 9 December 2019 the share capital increase of ALG Cleaning SIA by EUR 314.064 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 28 by EUR 54 and it was paid in by the cash contributions of the Company.

On 16 December 2019 the share capital increase of CS Komercserviss SIA by EUR 1.504.278 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 36 by EUR 534 and it was paid in by the cash contributions of the Company.

On 16 December 2019 the share capital increase of CS Apkope SIA by EUR 702.800 was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares from EUR 1 by EUR 251 and it was paid in by the cash contributions of the Company.

On 17 December 2019 Civinity AB sold 100 units (100 %)of shares of ART investicijos UAB for EUR 100 and 100 units (100 %) of shares of SPV-30 for EUR 100.

2.BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of AB "Civinity" are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

2.1.Basis of preparation

These financial statements include the Group's consolidated financial statements for the year ended 31 December 2019. The financial statements have been prepared on a going concern basis and under the historical cost convention.
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

All amounts in the financial statements, including amounts disclosed in notes to the financial statements, are presented in the euros (EUR) unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make assumptions in the process of applying the Group's accounting policies. The areas involving important assumptions, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 'Critical accounting estimates and judgements'.

2.2. New and amended standards and their interpretations adopted by the Group

(a) Adoption of new and/or amended International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

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

IFRS 16 Leases

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 income statement. 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 Group adopted the requirements of the new standard as from its mandatory effective date 1 January 2019. In accordance with the transitional provisions of IFRS 16, the Group adopted the new guidance using the modified retrospective transition approach with the date of initial application being 1 January 2019. Under this approach, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.18.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease at the date of initial application. The Group also elected to apply practical expedients to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and leases for which the underlying asset is of low value ("low-value assets"). In addition, the Group elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics and used a hindsight in determining the lease term where the lease contract contained options to extend or terminate the lease.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The remeasurement principles of IFRS 16 are only applied after that date, however, remeasurement adjustments were immaterial.

The Group leases office buildings, vehicles, plant and machinery and software. The lease term ranges between up to 5 years. The assets are leased under non-cancellable agreements.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognised right-of-use assets and lease liabilities for most leases.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Expenses of lease of low-value assets are not material.

Measurement of lease liabilities	
Operating lease commitments disclosed as at 31 December 2018 (Note 13)	975 693
Discounted using the lessee's incremental borrowing rate of at the date of initial application	940 088
Add: finance lease liabilities recognised as at 31 December 2018	373 895
Lease liability recognised as at 1 January 2019	**1 313 983**
Of which are:	
Current lease liabilities	541 734
Non-current lease liabilities	772 250

IFRIC 23 Uncertainty over income tax treatments

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or reexamine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The interpretation did not have material impact on the Group's consolidated financial statements.

Prepayment features with negative compensation – Amendments to IFRS 9

The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise the effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The amendments did not have a material impact on Group's consolidated financial statements.

Annual improvements to IFRSs 2015–2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 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, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The amendments did not have a material impact on Group's consolidated financial statements.

Long-term interests in associates and joint ventures – Amendments to IAS 28

The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The amendments did not have a material impact on Group's consolidated financial statements;

Plan amendment, curtailment or settlement – Amendments to IAS 19

The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendments did not have a material impact on Group's consolidated financial statements.

(b) Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Group

Amendments to the Conceptual Framework for Financial Reporting (ieffective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently evaluating the effect of this change to the Group's consolidated financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group does not apply hedge accounting, therefore the amendment is not relevant for the Group's consolidated financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

(c) Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Group

- Definition of a business – Amendments to IFRS 3;
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28;
- IFRS 17 Insurance contracts;
- Classification of liabilities as current or non-current – Amendments to IAS 1

The Group is currently assessing the impact of these amendments on its financial statements.

There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group.

2.3. Consolidation

The consolidated financial statements include the financial statements of Civinity AB and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting year as the financial statements of the parent company using the uniform accounting principles.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.6).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.4.Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded within equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5.Non-controlling interest

Non-controlling interest is the portion of the subsidiary's net results of operations and net assets, including fair value adjustments, not attributable, directly or indirectly, to the Group. Non-controlling interest represents a separate item of the Group's equity.

2.6.Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.7.Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The amounts in these consolidated financial statements are presented in the euros, which is the functional and presentation currency of Civinity AB and its subsidiaries.

2.8.Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.9.Intangible assets

Goodwill

Goodwill is measured as described in note 11.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being separate companies. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Other intangible assets

Intangible assets, if they are acquired separately from the business (including computer software) are stated at cost, less subsequent accumulated amortisation and impairment losses. Cost includes the purchase price of intangible assets from a third party as well as costs for the development of intangible assets, if such assets are being developed.

Customer base acquired in a business combination value is calculated based on the future cash flow value calculation. Amortisation is calculated using the straight-line method to allocate the cost of assets over their estimated useful life, which is 3 years for patents, licences and computer software. Customer base acquired in a business combination is amortised over their estimated useful lives (residential customer base is amortised in 33 years, commercial – during the validity of signed contracts, 5 years in average). Amortisation expenses are included in administrative expenses in the statement of comprehensive income.

Subsequent expenditure is recognised in profit or loss when incurred.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from intangible assets.

2.10.Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and impairment losses.

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

When components of property, plant and equipment have different useful lives, they are accounted for as separate items (main components) of property, plant and equipment.

The depreciation of property, plant and equipment is started from the date on which they are ready for their intended use.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over useful lives established as follows (in years):

- Buildings and structures	25 years
- Plant and machinery	5 years
- Motor vehicles	5 years
- Other equipment	5 years
- Other assets	5 years

Depreciation methods, useful lives and residual values are reviewed each reporting period and adjusted, if it is required due to the nature of use of non-current assets.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

Construction in progress is stated at cost. Construction in progress comprises the cost of buildings, structures and facilities and other directly attributable costs, capitalised interest. 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.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.11.Investment property

Property held for long-term rental yields and (or) capital appreciation is classified as investment property.

Investment property is measured initially at acquisition cost, including transaction costs. After the initial recognition, investment property is carried at cost, less subsequent accumulated depreciation and impairment losses.

Subsequent costs are capitalised (included in the asset's carrying amount), only when it is probable that future economic benefits associated with them will flow to the Group and the amount of such costs can be measured reliably. All other repair and maintenance costs are recognised as expenses during the financial period in which they are incurred. If a part of investment property is replaced with the new one, the carrying amount of the replaced part is derecognised.

Investment property is derecognised upon disposal or when it is no longer used and no future economic benefits are expected from its disposal. Any gain or losses upon derecognition or disposal of investment property are included within 'Net gain (loss) from fair value changes of investment property' in the statement of comprehensive income of a respective year.

2.12.Financial assets and liabilities

Under IFRS 9, Financial Instruments, the Group classifies its financial assets into the following 3 new categories: financial asset at amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group 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 Group. The intentions of the Group's management regarding separate instruments has no effect on the applied business model.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group 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 Group. The intentions of the Group's management regarding individual items of instruments have no effect on the adopted business model. The Group may adopt more than one business model to manage its financial assets.
The business model for managing of financial assets is based not merely on an assertion, but also on facts that are observable in the activities that the Group undertakes in order to achieve the objectives of the business model. In determining the business model applicable for managing financial assets, the Group makes its decision in view of not individual factors or activity, but in view of all evidence that is available in the course of the assessment.
The Group recognises a financial asset in its statement of financial position only when the Group becomes a party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.
At initial recognition, the Group measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Group would not have paid if it had not entered into an agreement on the financial instrument.
If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

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

Financial assets measured at amortised cost

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

Financial assets at fair value through profit or loss

The Group measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
The Group does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

Effective interest method

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

Expected credit losses

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

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.
Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.
The Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.
Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.
The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.
The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.
When granting the loan the Group assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Group adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Group records all lifetime expected credit losses of the loan. The latest point at which the Group recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due assumption.
Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

Credit-impaired financial assets

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

a) significant financial difficulty of the borrower;
b) a breach of contract, such as a default or event that is past due for more than 90 days;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties;
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.
The lifetime expected credit losses of loans receivable and trade receivables are recognised in profit or loss through the contra account of doubtful receivables.
The Group writes off the loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

Derecognition of financial assets

The Group derecognises financial assets in case of the following:

- the rights to receive cash flows from the asset have expired;
- the Group has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group 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 Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
    - if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Group 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 Group has not retained control. In all other cases, the Group has retained control.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Group does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are recognised at fair value, less transaction costs.
In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Derecognition of financial liabilities

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

2.13.Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less.

2.14.Non-financial assets

Non-financial assets are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the carrying amount of an asset exceeds its recoverable amount, impairment loss is accounted for in profit or loss. The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal is accounted for in profit or loss under the same item as impairment loss.

2.15.Inventories

Inventories are initially recorded at acquisition cost. Costs of purchased inventory are determined after deducting rebates and discounts. Subsequently inventories are recognised at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories is determined using the first-in, first-out (FIFO) method. Inventories that are no longer expected to be realised are written off.

2.16.Provisions

Provisions are recognised when the Group has a legal obligation or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. At each date of the preparation of the statement of financial position the Group assesses the existing provisions and adjusts them in order to best reflect current estimates. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.17.Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The Group has issued only ordinary shares.
The Group is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. No other external capital requirements have been imposed on the Group.

2.18.Leases

Accounting policies applied before 1 January 2019

Operating lease – where the Group is a lessor
Leases of property where the Group retains substantially all the risks and rewards of ownership are classified as operating lease. Payments made under operating leases, including prepayments, (net of any incentives granted by the lessor) are presented as income in the statement of comprehensive income on a straight-line basis over the term of the lease.

Operating lease – where the Group is a lessee
Leases of property where the lessor retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on a straight-line basis over the term of the lease. Contingent operating lease payments are recognised as expenses as incurred.

Finance lease – where the Group is a lessee

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding lease payments, i.e. difference between all minimum lease payments and finance charges, are included in current and non-current liabilities. The interest element of the finance charge is charged to the income statement over the lease term. Property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Accounting policies applied after 1 January 2019

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, i.e. at the date at which the leased assets are available for use by the Group. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group uses recent financing received under other contracts of financial liabilities.

Lease liabilities are subsequently measured using the effective interest rate method. The lease term is a non-cancellable period of lease; periods covered by options to extend and terminate the lease (if such options exist) are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee (no residual value guarantees as at 31 December 2019), or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised (no extension options were accounted for the leases due to uncertainties as at 31 December 2019)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. No lease incentives, initial direct costs, restoration costs or other costs were recognised for the leased assets by the Group as at 31 December 2019.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The straight-line basis was applied for depreciation of the right-of-use assets leased by the Group as at 31 December 2019.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of comprehensive income.

2.19.Revenue recognition

Revenue from contracts with customers is recognised when control of the services are transferred to the clients. It is the principal in its revenue arrangements (also including subcontracting services), because it typically controls the goods or services before transferring them to the customer. More over the Group facilities management companies also are responsible for the quality of renderred services and are the owners of pricing. In Latvia the Group nets inflows and outflows of administered utilities turnovers (gas, electricity, water, heating), associated with residential houses administration activity as the Group's companies act as agent in respect of utilities provision for its clients.

Reserve funds, accummulated from residential clients for future repairs works are not reported as the Group's revenue but as the contract liabilities.

Revenue from contracts with customers is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from administration, maintenance, cleaning, waste removal, utility and other services

Revenue from administration, maintenance, cleaning, waste removal, utility and other services is recognised in the reporting period during which the services were rendered. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to one agreed performance obligation. Revenue from contracts with customers is recognised when these services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.
The Group companies, renderring services both for residential and commercial sector customers, transfer control of administration of apartment buildings and commercial facility management services, maintenance, cleaning, waste removal, utility and other services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group's performance. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to both parties agreement.

Construction, repair works and renovation
Revenue from construction, repair works is recognised applying the percentage-of-completion method, i.e. in the period when services are rendered. The Group enters into fixed price contracts. The stage of completion is measured by reference to the construction contract costs actually incurred to the reporting date as a percentage of the total estimated costs for each construction or repair contract. The total estimated costs are remeasured in case of changes in circumstances, and any increase or decrease in recognised revenue is accounted for in the period, when the Group becomes aware of the changes in circumstances. When it is probable that the total estimated contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately. Construction contract costs are recognised as expenses in the period, when they are incurred.
The Group concluded that it transfers control over these services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group's performance. Also, the Group's performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. When the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, the Group recognizes revenue and expenses in relation to each repair or construction contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the contract. In such cases, Group has one agreed performance obligation.

Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Group fulfils the performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer, for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group fulfils the performance obligation under the contract.

Based on the contracts for construction and repair works, the amount of revenue recognised in respect of each contract is compared against the amount invoiced as at the end of the reporting period. In case the recognised amount of revenue is higher than the invoiced amount, the difference is accounted for as contract assets. When the invoiced amount is higher than the recognised amount of revenue, the difference is recognised as contract liabilities.

The Group receives the payments from services participants under administration and maintenance contracts which are accounted for as contract liabilities. When the administration and maintenace service is provided, but the sale invoice has not been issued yet, the amount of revenue is accounted for as contract assets.

Interest income
Interest income is recognised using the effective interest rate method.

2.20.Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

2.21.Income tax and deferred income tax

Income tax expenses comprise current income tax and deferred income tax.
Current income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to other comprehensive income or equity, in which case the deferred income tax is also accounted for in other comprehensive income or equity.

Current year income tax is calculated in accordance with tax legislation that has been enacted or substantially enacted at the end of the reporting period in the countries in which the Group and its subsidiaries operate and earn taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate applied to companies in the Republic of Lithuania was 15% in 2018 and 2019. In the Republic of Latvia starting 2018 profits are not taxed until distribution, 20% rate applied for the distributed profit. From 2010 in Lithuania tax losses may be transferred at no consideration or for an agreed consideration between the Group companies, if the set terms are fulfilled.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill; from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax losses of the companies operating in Lithuania and Latvia can be carried forward for indefinite period of time, except for losses arising from the disposal of securities and/or derivative financial instruments. In Lithuania such carrying forward of tax losses is discontinued if the Group ceases the activities that gave rise to these losses, except when the Group ceases the activities for reasons that are beyond its control. In Latvia such carrying forward of tax losses is discontinued if the Group's controlling entity change, except for the cases when the Group continues its previous activities for five upcoming years. In Lithuania 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. With effect from 1 January 2014, in Lithuania tax losses of the previous years can be used to reduce taxable profit of the current tax year by maximum 70%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current year income tax assets against current year income tax liabilities, and when deferred income tax assets and liabilities relate to income taxes that are applied by the same fiscal authority on the same taxable entity or on different taxable entities, when there is intention to set off balances on a net basis.

In Latvia (with effect from 1 January 2018), the object of taxation is dividends rather than profit, and accordingly, there are no differences between the carrying amounts and the tax base of assets and liabilities that might result in deferred income tax assets or liabilities. Income tax on dividends is recognised as income tax expenses in the same period when the payment of dividends is declared.

2.22.Employee benefits

Social security contributions

The Group pays social security contributions to the 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 plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or other 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.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration various financial and individual targets, where contractually obliged or where there is a current or past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes 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.

3.CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the Group management to exercise its judgement and use estimates that affect reported amounts of income and expenses, assets and liabilities, disclosure of contingent liabilities at the date of the preparation of the financial statements. Uncertainties relating to these assumptions and estimates may cause important adjustments to the carrying amounts of the related assets and liabilities in the next financial year.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of goodwill

The carrying amount of the Group's goodwill is tested for impairment at each reporting date in accordance with accounting policies presented in Note 11. When testing the value of goodwill for impairment assets are grouped into the smallest group of assets that generates cash inflows through the asset's continuous use and is independent from cash flows generated by other assets or the groups of assets ("the cash generating unit" or "CGU").

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The asset's value in use is calculated by discounting future cash flows to their present value using a pre-tax discount rate reflecting actual market assumptions regarding the time value of money and the risks specific to the asset concerned. Where the carrying amount of an asset or cash-generating unit relating to such asset exceeds its recoverable amount, impairment loss is recognised.

The carrying amount of goodwill and assumptions for impairment tests are disclosed in Note 11.

Provision for impairment of accounts receivable

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, and accrued revenue.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL, all other financial assets with no significant increase in credit risk are measured as 12-month ECL, with significant increase in credit risk – lifetime ECL:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument;
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For further detail assessment principals refer to Note 18.

Income recognised under the percentage-of-completion method

The Group uses the percentage-of-completion method for the recognition of revenue on construction and repair contracts. The use of the percentage-of-completion method requires the Group to estimate the construction services performed by the date of the financial statement as a proportion of the total construction services to be performed. A different estimation of the percentage-of-completion with respect to main construction and repair contracts could have an effect on the financial statements.

4.FINANCIAL RISK MANAGEMENT

4.1.Financial risk factors

The Group's management is responsible for the development and monitoring of the Group's risk management system. The objective of the risk management policy at the Group is to incorporate risk management function in the Group's normal business operations and management. Risk management is the process involving the identification, assessment and control of business risks which can prevent or impede the achievement of the Group's business objectives.

The Group's risk management policy focuses on financial, operational and legal risks. Strategic risk management decisions are taken by the Board at the Group level. Operational risk management is conducted by directors of each company. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's main financial liabilities comprise borrowings, trade payables and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group holds various financial assets: trade receivables, loans granted and other amounts receivable. The Group has not used any derivative financial instruments, because, in view of management, there is no such need.

The main risks arising from financial instruments are market risk (including foreign exchange risk, cash flow and fair value interest rate risk, price risk), liquidity risk and credit risk. The risks are identified and described below.

Market risk

Cash flow and fair value interest rate risk

The Group is exposed to risk of changes in market interest rates mainly from liabilities which are subject to variable interest rates.

As at 31 December 2019 and 2018, financial liabilities and long-term debts to suppliers' subject to deferred payment schedule exposing the Group to interest rate risk were as follow:

Financial instruments subject to a variable interest rate:

	At 31 December 2019	At 31 December 2018
Financial liabilities	8 366 972	9 622 626
Financial liabilities	**8 366 972**	**9 622 626**

As at 31 December 2019 and 31 December 2018, there were no interest-free borrowings.

In December 2017 the Group non-publicly issued the bonds for the value of EUR 11 million. The issue of the bonds was subscribed by the independent funds of the Polish Investment Company "Credit Value Investments" (CVI). The par value of each bond is EUR 100 thousand, the bonds to be redeemed upon four years with semi-annual interest payment schedule and variable rate calculated as 6-month EURIBOR plus a margin of 7%.

The table below presents the sensitivity analysis of the Group's profit before tax to reasonably possible changes in variable interest rates (EURIBOR) with all other variables held constant (by assessing impact on borrowings with a variable interest rate).

There is no impact on the Group's equity, except for impact on the current year profit.

2019	Increase / decrease, pp	Impact on profit for 2019 before income tax
in EUR	1%	-83 670
in EUR	-1%	83 670

2018	Increase / decrease, pp	Impact on profit for 2018 before income tax
in EUR	1%	-96 226
in EUR	-1%	96 226

Foreign exchange risk

The Group's financial assets and liabilities as at 31 December 2019 and 2018 are denominated in the euros, therefore the Group is not exposed to foreign exchange risk.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

Liquidity risk of the Group's operations in Lithuania and Latvia is controlled at the Group level. The Group's objective is to maintain balance between the continuity and flexibility of funding using bank borrowings. Liquidity risk management consists of non-current and current liquidity risk management.

The objective of the current liquidity risk management is to meet a daily need for funds. The Group's and the Company's current liquidity is controlled by conducting monthly assessments of the liquidity condition and the need for funds.

The non-current liquidity risk is controlled by analysing forecasts of future cash flows taking into consideration possible funding sources. Possibilities to attract necessary funds are assessed before the approval of the Group's new investment project.

The Group's liquidity ratio (total current assets / total current liabilities) was approximately equal to 0,71 as at 31 December 2019 (31 December 2018: 0,56).

In accordance with IFRS requirements, the Group classifies all prepayments received from households as current liabilities, as the Group does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the reporting period. Based on the historical experience and practice, the Group observes that accumulated funds from households for future construction, repair and current maintenance works can reduce year-over-year during 12-month period by only up to 10% (which in the view of Management represents best estimate of current liabilities based on the plans approved by the owners of the buildings to carry out specific works in the current year less new funds to be accumulated during the same period). The remaining 90% of the company's liability for accumulated funds paid by residents are expected to be carried forward and settled by delivering services after more than one year.

After reclassification of prepayments based on this management estimate, Group's liquidity ratio would approximately equal to 0,92, as at 31 December 2019 (31 December 2018: 0,66).

The table below summarises the contractual maturity profile of financial liabilities as at 31 December 2019 and 2018.

At 31 December 2019

Non-derivative financial liabilities	Carrying amount	Total contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Lease liabilities	364 256	385 395	60 344	120 698	204 352	0
Borrowings	108 468	120 656	52 988	2 813	64 856	0
Bonds	8 366 971	9 515 000	165 379	2 996 136	6 353 486	0
Non-current trade payables subject to deferred payment schedule	123 471	411 261	2 659	7 977	53 180	347 444
Trade payables	8 475 653	8 475 653	7 194 726	876 063	404 863	0
Total	**17 438 818**	**18 907 963**	**7 476 096**	**4 003 686**	**7 080 737**	**347 444**

At 31 December 2018

Non-derivative financial liabilities	Carrying amount	Total contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Finance lease liabilities	422 169	442 910	49 361	140 305	253 244	0
Borrowings	158 424	180 643	83 220	2 923	94 500	0
Bonds	9 200 457	11 078 051	181 129	10 896 922	0	0
Non-current trade payables subject to deferred payment schedule	123 978	421 897	2 659	7 977	53 180	358 080
Trade payables	8 506 578	8 506 578	6 688 906	1 006 442	811 230	0
Total	**18 411 606**	**20 630 078**	**7 005 274**	**12 054 569**	**1 212 155**	**358 080**

Cash flows included in the maturity analysis are not expected to arise significantly earlier or be equal to a significantly different amount.

Credit risk

Credit risk arises from cash and cash equivalents, outstanding trade receivables, other amounts receivable and outstanding loans granted.

Before deciding on investing their own funds for the fulfilment of additional works, the building administration companies owned by the Group assess the creditworthiness and currently outstanding debts to the administrator of the owners of premises in the building for which the services or additional works will be provided and decides on the fulfilment of works at the expense of the Group and subsequent recovery of funds from clients during the established term. In the event of insufficient creditworthiness of the building, the Group companies may decide to postpone the fulfilment of works until receipt of advance payments for the services or scheduled works. This is not applicable to ordinary services provided by the administrator – administration and technical maintenance – because the provision of these services does not depend on creditworthiness of the owner of a certain house or multi-apartment building. The services are provided for common property, i.e. a building, and therefore, they cannot be suspended due to creditworthiness of clients. In rendering administration services, credit risk is managed by restricting the provision of additional works for multi-apartment buildings with low creditworthiness and demanding advance payments for future works, as well as ensuring approval of such future works from the majority of owners of the building.

The Group companies manage and administrate the debts of the owners of houses or multi-apartment buildings on a continuous basis in accordance with the Group's internal procedure. Reports on the outstanding amounts of debts and their repayment schedules are sent on a monthly basis. In the event of failure to collect a debt in the course of pre-trial proceedings, administration and recovery of the debt is referred to a court. When entering into agreements on administration and maintenance of other objects (business centres, sports and culture objects, etc.), an overall creditworthiness of the specific client is assessed and the maximum term of settlement for the services is determined. The resulting outstanding debts are administered in an ordinary way, i.e. analogous to outstanding debts of owners of individual houses and multi-apartment buildings.

The Group's aging and expected credit loss calculation procedures are disclosed in Note 18.

The outstanding debts of clients are grouped by the number of overdue days (ageing). Depending on the number of overdue days, the debtors in 2019 were administered in the following order:

- reminders and requests to cover the outstanding debts are sent to the clients who are overdue up to 60 days. Such reminders to clients are sent together with an invoice for the services rendered during the current month;
- clients who are overdue up to 90 days are suggested to agree on individual schedules for the repayment of debts;
- the cases of clients who are overdue 90 days and more are referred to the court for recognition of the debt. As soon as the court's decision is obtained, recovery of the debt is assigned to a bailiff in view of the territory of residence of the client.

Pursuant to the Lithuanian legal acts, the Group administration company is not entitled to terminate the provision of services to the owners of the entire multi-apartment building even though it has obtained a formal confirmation of the outstanding debt in respect of one owner of that building. Lithuanian and Latvian administration companies follow similar credit management principles. In order to minimize the legal costs for recognition of debt through court proceedings the debt collection companies are approched both in Lithuania and Latvia before the debt is considered for a court procedure. In individual cases, when the administration company resells water supply and heating services, such company is entitled to initiate a temporary suspension of provision of services in response to occurrence of debts of individual owners of the building with a prior written notice to the rest of the owners of that building.

Maximum exposure to credit risk is as follows:

	2019	2018
Contract assets	127 011	0
Trade receivables	9 588 708	9 555 299
Other amounts receivable	2 356 610	2 379 784
Loans granted	16 162	368 279
Cash and cash equivalents	3 342 936	3 292 423
Total	**15 431 427**	**15 595 785**

The credit quality of cash and cash equivalents can be assessed by reference to the external credit ratings of banks.
The ratings of the rating agencies:

Moody	2019	2018
Aa2	2 027 237	1 135 130
Ba1	1 133 239	1 920 589
Baa1	82 903	0
Baa2	61	0
Baa3	0	105 708
Not rated	24 924	7 657
Cash on hand	0	5 111
Cash in transit	74 573	118 228
Total	**3 342 936**	**3 292 423**

Although economic circumstances may impact the recoverability of contract assets, in view of management, the Group is not exposed to significant risk of incurring losses that would exceed already recognised amount of impairment.

Trade receivables impairment recognised 31 December 2019 amounted to EUR 1.331.502 (see note 18), 31 December 2018 recognized impairment was EUR 1.680.097.

Groups management tested the loans granted for impairment and estimated that the carrying amount may not be recoverable. 31 December 2019 recognized impairment was EUR 252.120 (see note 15).
Cash and cash equivalents include cash and cash balances in bank accounts, therefore credit risk arising from them is minimal.

4.2.Capital management

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements, keeps respective capital ratios in order to strengthen its business and maximise return to shareholders, avoids damaging trust of investors, creditors and the market, and maintains business expansion in future.
The Group defines its capital as the authorised share capital and retained earnings.
The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. At the end of 2019 and 2018 the Group complied with the mentioned provision, but the ratio was breached by the Company. During the year 2020 Company's management forecast to restore CIvinity AB company equity ratio. The management is planning to consider different options, including dividend distribution from subsidiaries, to restore the equity ration to required level.

The Group manages its capital structure and makes the adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the policy of dividend payment to shareholders, return capital to the shareholders or issue new shares.

The acquisition of Birznieka projekti SIA in Latvia was obtained by off-setting the outstanding liabilities of Birznieka projekti SIA to the Group companies (EUR 77 k) and cash consideration (EUR 67 k).

The terms and conditions of the bonds issued on 21 December 2017 laid down the following financial covenants:

- The ratio of consolidated Net Debt to EBITDA should be lower than 4 throughout 2017 and lower than 3.75 throughout 2018 calendar year, less than 3.5 for 2019, less than 3.25 for 2020, less than 3 for 2021 (value of debt to include 50% of "reserve funds for future works", and only unrestricted cash to be used in the calculation of net debt) evaluated on a quarterly basis;
- for each acquisition any post-acquisition net debt (financial debt less unrestricted cash) in each of the acquired companies to be less than 3xEBITDA.

The value of consolidated Net Debt to EBITDA at 31 December 2019 was equal to 3,15 (31 December 2018 - 3,94).

The Group is monitoring consolidated Net Debt to EBITDA ratio continuously on quarterly basis.

5. FAIR VALUE MEASUREMENT

The different levels of methods used to measure the fair value of the financial instruments (which are carried at fair value in the statement of financial position) have been defined as follow:
In determining the fair value of assets and liabilities the Group uses as much as possible inputs that are observable in the market. A fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:
- The carrying amount of current trade receivable, contract assets and other accounts receivable, current trade payables, other current liabilities and current borrowings approximates their fair value.

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis. The Group also has long term bonds (Note 4.1 Liquidity risk).

The carrying amount of the Group's financial assets and liabilities as at 31 December 2019 and 2018 approximates its fair value, except for the Group's liability to Vilnius City Municipality subject to the deferred payment schedule. The fair value of this liability is EUR 411 261 as compared to its carrying amount of EUR 123 471 .

Trade and other amounts receivable, borrowings and trade and other amounts payable are attributed to Level 3 of the fair value hierarchy, and cash and cash equivalents are attributed to Level 1. There are no financial assets or financial liabilities that would be attributed to Level 2 of the fair value hierarchy.

6. REVENUES

Revenue from contracts with customers	2019	2018
Administration and maintenance services	22 674 761	22 068 581
Waste removal and utilities	1 833 378	2 079 935
Renovation, construction and repair works	20 106 551	12 225 419
Other revenue	3 612	205 996
	44 618 302	36 579 931

Revenue from contracts with customers by the type of buildings, 2019	Commercial	Residential	Total
Administration and maintenance services	6 962 899	15 711 862	22 674 761
Waste removal and utilities	304 826	1 528 552	1 833 378
Renovation, construction and repair works	13 085 720	7 020 831	20 106 551
Other revenue	1 800	1 812	3 612
	20 355 245	24 263 056	44 618 302

Revenue from contracts with customers by the type of buildings, 2018	Commercial	Residential	TOTAL
Administration and maintenance services	5 728 976	16 339 605	22 068 581
Waste removal and utilities	136 986	1 942 948	2 079 935
Renovation, construction and repair works	5 705 668	6 519 751	12 225 419
Other revenue	116 510	89 486	205 996
	11 688 140	24 891 791	36 579 931

Revenue from contracts with customers by the regional breakdown, 2019	Lithuania	Latvia	Other	TOTAL
Administration and maintenance services	7 712 248	14 962 218	295	22 674 762
Waste removal and utilities	800 598	1 032 780		1 833 378
Renovation, construction and repair works	17 479 081	2 627 469		20 106 550
Other revenue	0	3 612	0	3 612
	25 991 927	18 626 079	295	44 618 302

Revenue from contracts with customers by the regional breakdown, 2018	Lithuania	Latvia	Other	TOTAL
Administration and maintenance services	6 547 292	15 518 214	3 074	22 068 581
Waste removal and utilities	1 063 354	1 016 581		2 079 935
Renovation, construction and repair works	9 660 090	2 565 329		12 225 419
Other revenue	29 616	81 903	94 477	205 996
	17 300 352	19 182 027	97 551	36 579 931

7. COST OF SALES

Costs of Sales	2019	2018
Wages, salaries and social security contributions	13 602 182	12 234 111
Subcontracting	11 604 473	8 743 462
Utilities	791 452	1 043 755
Materials, inventories and consumables used	8 135 984	4 688 431
Other costs	517 676	835 609
	34 651 768	27 545 368

Costs of Sales by the type of buildings, 2019	Commercial	Residential	Total
Wages, salaries and social security contributions	6 312 688	7 289 494	13 602 182
Subcontracting	5 085 471	6 519 002	11 604 473
Utilities	0	791 452	791 452
Materials, inventories and consumables used	6 631 308	1 504 676	8 135 984
Other costs	197 022	320 655	517 676
	18 226 489	16 425 280	34 651 768

Costs of Sales by the type of buildings, 2018	Commercial	Residential	Total
Wages, salaries and social security contributions	4 463 340	7 770 771	12 234 111
Subcontracting	2 699 742	6 043 720	8 743 462
Utilities	7 939	1 035 816	1 043 755
Materials, inventories and consumables used	2 550 741	2 137 690	4 688 431
Other costs	68 730	766 879	835 609
	9 790 492	17 754 876	27 545 368

Costs of Sales by the regional breakdown, 2019	Lithuania	Latvia	TOTAL
Wages, salaries and social security contributions	6 505 271	7 096 912	13 602 182
Subcontracting	6 500 213	5 104 260	11 604 473
Utilities	791 415	38	791 452
Materials, inventories and consumables used	7 036 571	1 099 413	8 135 984
Other costs	383 142	134 534	517 676
	21 216 611	13 435 157	34 651 768

Costs of Sales by the regional breakdown, 2018	Lithuania	Latvia	TOTAL
Wages, salaries and social security contributions	4 242 038	7 992 073	12 234 111
Subcontracting	4 391 813	4 351 649	8 743 462
Utilities	1 019 722	24 034	1 043 755
Materials, inventories and consumables used	2 927 290	1 761 141	4 688 431
Other costs	382 595	453 014	835 609
	12 963 458	14 581 910	27 545 368

8. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Expenses	2019	2018
Distribution expenses		
Marketing ans selling expenses	554 100	451 517
Administrative expenses		
Employee benefits	4 015 842	3 855 061
Depreciation and amortisation	1 544 749	805 937
Professional services	1 726 463	2 469 100
Allowance for bad debts	319 601	-75 405
Transport expenses	44 201	354 641
Premises administration and maintenance	289 428	654 532
Other expenses	1 292 186	1 223 205
Total administrative expensı	**9 232 471**	**9 287 071**
	9 786 571	**9 738 588**

Distribution and administrative expenses by the regional breakdown, 2019	Lithuania	Latvia	Other	TOTAL
Distribution expenses				
Marketing ans selling expenses	223 445	267 828	62 828	554 100
Administrative expenses				
Employee benefits	1 224 631	1 985 479	805 731	4 015 842
Depreciation and amortisation	451 085	869 040	224 624	1 544 749
Professional services	494 773	661 959	569 731	1 726 463
Allowance for bad debts	171 059	148 543	0	319 601
Transport expenses	-97 062	92 891	48 372	44 202
Premises administration and maintenance	27 628	219 154	42 646	289 428
Other expenses	659 119	249 338	383 729	1 292 185
Total administrative expenses	**2 931 233**	**4 226 403**	**2 074 835**	**9 232 470**
	3 154 678	**4 494 231**	**2 137 662**	**9 786 571**

Distribution and administrative expenses by the regional breakdown, 2018	Lithuania	Latvia	Other	TOTAL
Distribution expenses				
Marketing ans selling expenses	230 288	162 534	58 695	451 517
Administrative expenses				
Employee benefits	1 394 093	1 869 282	591 686	3 855 061
Depreciation and amortisation	91 522	319 428	394 987	805 937
Professional services	426 810	901 463	1 140 827	2 469 100
Allowance for bad debts	138 374	-213 779	0	-75 405
Transport expenses	123 441	170 855	60 346	354 641
Premises administration and maintenance	146 812	467 888	39 832	654 532
Other expenses	165 195	890 750	167 260	1 223 204
Total administrative expenses	2 486 247	4 405 887	2 394 938	9 287 071
	2 716 535	4 568 420	2 453 634	9 738 588

9. OTHER GAINS (LOSSES)

	2019	2018
Gain from sold non current assets	375 537	185 382
Loss from acquisition of subsidiary	-137 458	0
Total other gains (losses)	**238 079**	**185 382**

On 9 January 2019 Civinity AB signed share purchase agreement according to which it acquired 100% shares of Birznieka projekti SIA. The value of acquisition is EUR 67.000 and it is paid by cash contribution. Acquired company Birznieka projekti SIA has no assets on the balance sheet and is carrying only EUR 77 thousand liabilities for the Group companies on the acquisition date. The Group recognized EUR 137 458 loss from this transaction.

10. INCOME TAX

Income tax expenses and income, and the components of assets and liabilities:

Components of income tax (expenses) income	2019	2018
Current year income tax expenses	-179 223	-185 027
Deferred income tax (expenses) income	92 545	24 714
Income tax (expenses) income recognised in profit or loss	**-86 678**	**-160 313**

There are no income tax expenses (income) recognised in other comprehensive income or directly in equity. Deferred income tax assets are recognised to the extent that is probable that these assets will be realised in future periods. Deferred income tax assets were calculated using a tax rate of 15 per cent.

The movement in deferred income tax assets and liabilities of the Group during 2019 is as follows:

	Balance at 31 December 2018	Recognised in profit or loss during the year	Acquisition of subsidiary	Balance at 31 December 2019
Deferred income tax assets				
Accruals	74 971	23 205	0	98 176
Bad debts	0	28 473		28 473
Other various temporary differences	0	55 183		55 183
Recognised deferred income tax assets	**74 971**	**106 861**	**0**	**181 832**
Assets netted against liability of the same legal entities	-350	-20 991		-21 341
Deferred income tax assets – net	**74 621**	**85 869**	**0**	**160 490**
Deferred income tax liabilities				
Non current assets	-88 887	-13 457	0	-102 344
Recognised deferred income tax liabilities	**-88 887**	**-13 457**	**0**	**-102 344**
Liability netted against assets of the same legal entities	350	20 991		21 341
Deferred income tax liabilities – net	**-88 537**	**7 534**	**0**	**-81 003**

The movement in deferred income tax assets and liabilities of the Group during 2018 is as follows:

	Balance at 31 December 2017	Recognised in profit or loss during the year	Acquisition of subsidiary	Balance at 31 December 2018
Deferred income tax assets				
Accruals	51 748	-5 428	28 651	74 971
Recognised deferred income tax assets	**51 748**	**-5 428**	**28 651**	**74 971**
Assets netted against liability of the same legal entities		-350		-350
Deferred income tax assets – net	**51 748**	**-5 778**	**28 651**	**74 621**
Deferred income tax liabilities				
Non current assets	-108 173	19 285		-88 887
Recognised deferred income tax liabilities	**-108 173**	**19 285**		**-88 887**
Liability netted against assets of the same legal entities		350		350
Deferred income tax liabilities – net	**-108 173**	**19 635**		**-88 537**

The total amount of income tax expenses can be reconciled to the theoretical amount of income tax using the Group's income tax rates as follows:

	2019	2018
Profit (loss) before income tax	-106 922	-1 378 505
Income tax expenses calculated using a tax rate of 15%	16 038	206 776
Expenses not deductible for tax purposes	-101 555	-88 213
Not recognized deferred tax assets		-173 356
Different tax rate in Latvia	-1 161	-130 234
Written off deferred tax asset and derecognised liabilities	0	24 714
Income tax expenses recognised in the statement of comprehensive income	-86 678	-160 313

11. INTANGIBLE ASSETS

		Goodwill	Other intangible assets: Computer software, licences	Other intangible assets: Customer base	Total
Cost					
Balance at 31 December 2017		5 750 224	433 851	5 050 918	11 234 992
Additions			267 738		267 738
Acquisitions of assets during business combination	(Note 14)	2 627 157	27 787	602 172	3 257 116
Balance at 31 December 2018		8 377 381	729 376	5 653 090	14 759 847
Additions			181 571		181 571
Reclassifications to the right-of-use assets			-26 500		-26 500
Balance at 31 December 2019		8 377 381	884 447	5 653 090	14 914 918
Accumulated amortisation					
Balance at 31 December 2017		0	50 654	295 306	345 960
Amortisation charge for the year			19 834	285 529	305 363
Balance at 31 December 2018		0	70 488	580 835	651 323
Amortisation charge for the year			232 236	312 245	544 481
Write-offs		341 461	0		341 461
Reclassifications to the right-of-use assets			-22 083		
Balance at 31 December 2019		341 461	280 641	893 080	1 515 182
Net book amount					
Balance at 31 December 2017		5 750 224	383 197	4 755 612	10 889 033
Balance at 31 December 2018		8 377 381	658 888	5 072 255	14 108 524
Balance at 31 December 2019		8 035 920	603 805	4 760 010	13 399 735

Customer base intangible assets comprise the following assets:

	Client base	Acquisition date	Acquisition value, EUR	Net book amount, EUR	Remaining useful lives, years
Jūrmalas Namsaimnieks SIA	Residential sector	2014.12.19	1 150 515	976 195	28
Hausmaster AS	Residential sector	2016.07.28	2 199 259	1 977 112	30
CS Komercserviss SIA	Residential sector	2016.09.21	376 076	339 988	30
CS Komercserviss SIA	Commercial clients	2016.09.21	237 843	57 083	1
SIA Labo Namu Agentūra	Residential sector	2017.04.30	843 928	775 731	31
SIA Labo Namu Agentūra	Commercial clients	2017.04.30	243 298	141 063	3
SIA ALG cleaning	Commercial clients	2018.02.13	86 764	54 950	3
SIA VBS Serviss	Residential sector	2018.03.01	308 841	291 683	32
SIA VBS Serviss	Commercial clients	2018.03.01	22 022	13 948	3
UAB Statinių priežiūra	Commercial clients	2018.07.31	184 545	132 257	3
Total			5 653 091	4 760 010	

Amortisation charge of the Group's intangible assets is included in administrative expenses (note 8).

Goodwill recognised at the Group arose from the acquisition of the companies indicated in the table below. Goodwill is attributable to the potential synergies and increased market share.

	Goodwill as at 31 December 2019	Goodwill as at 31 December 2018
Vitės Valdos UAB	38 316	38 316
Palangos butų ūkis UAB	463 994	463 994
Debreceno Valda UAB	310 520	310 520
Senamiesčio Ūkis UAB	665 943	665 943
Būsto Valda UAB	422 142	422 142
Klaipėdos Bendrabutis UAB	451 187	451 187
Jūrmalas Namsaimnieks SIA	283 052	283 052
Ozo Miestas UAB	68 637	68 637
Hausmaster AS	1 850 145	1 850 145
Home Master SIA	38 223	38 223
CS Komercserviss SIA	1 158 064	1 158 064
ALG cleaning SIA	0	341 461
VBS Serviss SIA	918 925	918 925
Statinių priežiūra UAB	719 650	719 650
Dizaja UAB	647 121	647 121
Total goodwill	**8 035 920**	**8 377 381**

Goodwill is attributed to cash-generating units of the Civinity Group. Each entity in the table above is a separate cash generating unit to which the goodwill is allocated.

As at 31 December 2019 and 2018 the Group's management tested goodwill for impairment in accordance with the principles below. Goodwill was tested for impairment using the value-in-use approach.

Impairment test 2019

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2020–2024 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2020	Revenue in 2024	Gross profit margin in 2020, (%)	Gross profit margin in 2024, (%)
Vitės Valdos UAB	1 514 335	1 737 329	23,06%	23,06%
Debreceno Valda UAB	1 318 406	1 512 549	20,03%	20,03%
Palangos Butų Ūkis UAB	388 190	452 279	23,51%	23,51%
Senamiesčio Ūkis UAB	2 930 171	3 361 653	17,21%	17,21%
Būsto Valda UAB	5 206 575	5 973 270	18,94%	18,94%
Klaipėdos Bendrabutis UAB	1 432 871	1 643 869	16,11%	16,11%
Jūrmalas Namsaimnieks SIA	3 946 584	4 655 353	45,74%	49,18%
Ozo Miestas UAB	679 723	779 816	15,03%	15,03%
Hausmaster AS	6 424 347	7 359 196	23,07%	20,05%
Home Master SIA	140 599	150 812	31,80%	42,16%
CS Komercserviss SIA	5 108 777	6 210 909	9,37%	17,39%
Labo Namu Agentūra SIA	1 080 258	1 152 985	27,62%	32,33%
ALG cleaning SIA	745 903	1 418 790	6,00%	7,00%
VBS serviss SIA	517 706	593 941	42,36%	42,36%
Statinių priežiūra UAB	2 896 800	4 241 205	17,91%	17,91%
Dizaja UAB	17 000 000	24 889 700	7,92%	7,92%
	51 331 247	66 133 657	17,08%	17,03%

- The final value beyond 2024 was calculated using the terminal value growth rate of 1%.
- Projected cash flows were discounted using a discount rate of 6,85%.

Based on the recoverability test performed impairment for full goodwill amount (EUR 341 k) was recognised for ALG Cleaning SIA as at 31 December 2019. For none of the rest of the Group companies impairment was recognized, as the estimated recoverable value of goodwill attributable to the controlled companies exceeded the carrying amount of this asset.

Impairment test 2018

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2019–2023 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2019	Revenue in 2023	Gross profit margin in 2019, (%)	Gross profit margin in 2023, (%)
Vitės Valdos UAB	1 424 165	1 633 880	25,82%	19,59%
Debreceno Valda UAB	1 240 240	1 422 871	25,06%	19,59%
Palangos Butų Ūkis UAB	803 209	948 676	20,66%	19,59%
Senamiesčio Ūkis UAB	2 529 760	2 902 280	18,03%	19,83%
Būsto Valda UAB	5 236 542	6 007 650	18,28%	19,59%
Klaipėdos Bendrabutis UAB	1 240 275	1 422 912	18,64%	19,59%
Jūrmalas Namsaimnieks SIA	4 008 953	4 599 292	45,58%	29,30%
Ozo Miestas UAB	375 133	430 374	15,64%	19,83%
Hausmaster AS	6 330 018	7 262 146	22,47%	29,30%
Home Master SIA	142 307	163 262	33,89%	29,30%
CS Komercserviss SIA	5 901 278	6 770 271	18,77%	18,77%
Labo Namu Agentūra SIA	1 108 909	1 272 202	26,01%	29,30%
ALG cleaning SIA	1 571 689	1 635 506	15,16%	15,16%
VBS serviss SIA	669 825	768 460	28,91%	29,30%
Statinių priežiūra UAB	2 564 889	3 755 269	20,27%	20,27%
Dizaja UAB	13 013 940	19 053 710	9,71%	9,71%
	48 161 131	60 048 761	19,57%	18,58%

- The final value beyond 2023 was calculated using the terminal value growth rate of 1%.
- Projected cash flows were discounted using a discount rate of 6,97%.

Based on the recoverability test performed impairment was not recognised to the Group companies in 2018 as the estimated recoverable value of goodwill attributable to the controlled companies exceeds the carrying amount of this asset.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Cost									
Balance at 31 December 2017	**95 598**	**2 652 773**	**374 131**	**786 229**	**479 048**	**85 584**	**283 926**	**80 111**	**4 837 400**
Additions			68 632	99 244	60 882	800	43 837		273 395
Assets acquired during business combination (Note 13)			18 945	98 907	15 090				132 942
Disposals and write-offs		-239 492	-5 838	-81 779	-104 263	-78 784	-63 673		-573 829
Balance at 31 December 2018	**95 598**	**2 413 281**	**455 870**	**902 601**	**450 757**	**7 600**	**264 090**	**80 111**	**4 669 908**
Additions	0	0	4 953	180 973	210 390	0	16 227	0	412 543
Disposals and write-offs	-60 798	-140 254	-52 304	-338 488	-63 775	0	-31 222	-80 111	-766 952
Reclassifications to the right-of-use assets			-65 168	-687 634					-752 802
Balance at 31 December 2019	**34 800**	**2 273 027**	**343 351**	**57 452**	**597 372**	**7 600**	**249 095**	**0**	**3 562 697**

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Accumulated depreciation									
Balance at 31 December 2017	22 378	**2 333 878**	**274 392**	**123 487**	**207 688**	**0**	**117 966**	**44 868**	**3 124 657**
Depreciation	0	102 145	56 919	210 878	49 420	0	142 066	5 013	566 441
Disposals and write-offs	0	-175 318	0	-59 300	-9 882	0	-66 790	0	-311 291
Balance at 31 December 2018	**22 378**	**2 260 705**	**331 311**	**275 065**	**247 226**	**0**	**193 242**	**49 881**	**3 379 807**
Depreciation	0	89 801	41 600	155 735	177 341	0	34 625	5 008	504 110
Disposals and write-offs	-22 378	-89 788	-22 035	-232 739	-132 045	0	-29 724	-54 889	-583 598
Reclassifications to the right-of-use assets			-37 377	-188 054	0	0	0	0	-225 430
Balance at 31 December 2019	**0**	**2 260 718**	**313 499**	**10 007**	**292 522**	**0**	**198 144**	**0**	**3 074 890**

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
Net book amount									
31 December 2017	**73 220**	**318 895**	**99 739**	**662 742**	**271 360**	**85 584**	**165 960**	**35 243**	**1 712 743**
31 December 2018	**73 220**	**152 577**	**124 559**	**627 536**	**203 531**	**7 600**	**70 848**	**30 230**	**1 290 101**
31 December 2019	**34 800**	**12 309**	**29 852**	**47 445**	**304 850**	**7 600**	**50 951**	**0**	**487 807**

At the end of 2018 the Group's investment property consisted of the real estate premises owned by the Group Company UAB "Būsto valda".

The fair value of investment property was estimated by independent real estate valuator using the market price of the same level office premises in similar locations in Kaunas and amounted to EUR 200.000 as at 31.12.2018. In December of 2019 the investment property was sold for EUR 158.000.

Depreciation is included in administrative expenses.

The property (excluding real estate, including future assets) of the Group companies: UAB Būsto valda, UAB Senamiesčio ūkis, UAB Vitės valdos, UAB Debreceno valda, UAB Palangos butų ūkis, UAB Pastatų meistrai, SIA Jūrmalas Namsaimnieks, AS Hausmaster, SIA CS Komercserviss, SIA Labo namu agentūra and SIA CS Apkope, are pledged as the security for the bonds issued (note 22).

Group's property, plant and equipment with the acquisition cost of EUR 752 592 as at 31 December 2019 (31 December 2018: EUR EUR 832 682) were fully depreciated but still in use.

At the end of 2018 the net book value of non-current assets (machinery and equipment and motor vehicles) acquired under finance lease contracts amounted to EUR 544 205.

Accumulated depreciation at 31 December 2018 was EUR 401 248 . Cost - EUR 945 453 .

From 2019 leased assets are reclassified to the Right of use assets upon adoption of IFRS16 (Note 2.2).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (LEASES)

The balance sheet shows the following amounts

	2019	1 January
Right-of-use assets		
Buildings	833 076	334 051
Plant and machinery	27 791	117 378
Vehicles	941 763	1 018 771
Others	4 417	14 093
	1 807 047	1 484 293
Lease liabilities		
Current	600 573	541 735
Non-current	1 167 671	772 249
	1 768 245	1 313 983

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

Additions to the right-of-use assets during the 2019 financial year were EUR 1.237.923.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:	2019	2018
Depreciation charge of right-of-use assets		
Buildings	187 825	-
Equipment	21 515	-
Vehicles	397 153	-
Others	8 833	-
	615 327	
Interest expense (included in finance cost)	90 511	
Expense relating to short-term leases (included in administrative expenses)	44 657	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-
	135 168	

The total cash outflow for leases in 2019 was EUR 783.661.

14. BUSINESS COMBINATIONS

There were no business combinations in 2019.

Business combinations in 2018

In February 2018, Civinity AB acquired 100% shares of facility management company SIA "VESTABALT serviss" (currently SIA "VBS Serviss) and 100% shares of cleaning service company SIA "ALG cleaning".

In July 2018 subsidiary companies of the Company UAB SPV-31 and UAB SPV-32 completed the acquisition of "Statinių priežiūra" UAB and "Dizaja" UAB. UAB SPV-31 is the sole shareholder of "Statinių priežiūra" UAB, UAB SPV-32 is the sole shareholder of "Dizaja" UAB. Civinity AB owns 51% stake in UAB SPV-31 and 49% in UAB SPV-32.

	ALG Cleaning SIA	VBS Serviss SIA	Statinių priežiūra UAB	Dizaja UAB	TOTAL
Transaction value, in EUR	350 000	1 175 000	1 271 250	1 266 142	**4 062 392**
Ownership interest acquired, %	100%	100%	51%	49%	
Date	13 February 2018	1 March 2018	31 July 2018	31 July 2018	

Although at the end of 2018 the Group controlled only 49 % of Dizaja UAB shares, Dizaja UAB is involved in the Group consolidation since its acquisition on July 2018, because following the shareholder agreement, the Group has the right to appoint 3 board members (from totally 5 board members) and on 30 April 2019 Civinity AB has signed the share purchase agreement to acquire additional 2% share interest in SPV 32 UAB (which owns 100% shares of Dizaja UAB) from Partnerystės Projektai P UAB for EUR 50. After the completion of the transaction the Group controls 51% interest in Dizaja UAB.

The primary reasons for the business combination was the Group's expansion in Lithuanian and Latvian markets. The goodwill is attributable to the market share and the potential in profitability of the acquired businesses. It will not be deductible for tax purposes.

The assets and liabilities of the newly acquired companies recognised at the acquisition date are as follow:

	ALG Cleaning SIA	VBS Serviss SIA	Statinių priežiūra UAB	Dizaja UAB	TOTAL
Intangible assets	101 552	359 129	184 545	1 171	646 397
Property, plant and equipment		4 180	94 210	19 763	118 153
Non-current financial assets			256	2 795	3 051
Deffered tax assets			6 737	14 090	20 827
Raw materials and prepayments	41 081	17 572	41 578	175 862	276 092
Amounts receivable	106 940	309 845	227 487	2 009 335	2 653 606
Other current assets	928	66 808	39 079	67 732	174 547
Cash and cash equivalents	18 449	77 779	205 374	247 915	549 518
Non-current borrowings			-68 480	-3 666	-72 147
Current borrowings			-6 834	-1 155	-7 990
Trade payables	-56 158	-257 303	-65 585	-1 240 502	-1 619 548
Advance amounts received		-76 897	-2 288	-123 375	-202 560
Deferred income tax	-1 355				-1 355
Other amounts payable	-202 897	-245 038	-104 478	-550 946	-1 103 359
Net identifiable assets acquired	8 540	256 075	551 600	619 020	1 435 235
Purchase consideration	350 000	1 175 000	1 271 250	1 266 142	4 062 392
Goodwill	341 460	918 925	719 650	647 122	2 627 157

The total value of intangible assets includes the fair value of client base acquired for amount of EUR 602 172 .

The fair value of acquired trade receivables on acquisition date was EUR 2 653 606 . The gross contractual amount for trade receivables was EUR 2 653 606 , of which EUR 0 is expected to be uncollectible.

The acquired business contributed the following revenue and net profit to the Group for the period from respective acquisition dates to 31 December 2018:

	SIA ALG (2018.03.01-2018.12.31)	SIA VBS (2018.03.01-2018.12.31)	UAB Statinių priežiūra (2018.08.01-2018.12.31)	UAB Dizaja (2018.08.01-2018.12.31)	Total
Revenues	1 284 633	512 147	1 071 814	4 453 382	7 321 975
Net profit	-74 254	19 629	35 790	415 392	396 556

If the acquisition of all businesses had occurred on 1 January 2018, consolidated pro-forma revenue and profit for the year ended 31 December 2018 would have been EUR 12 716 205 and EUR 369 570 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, pland and equipment and intangible assets that applied from 1 January 2018, together with the consequential tax effects.

Acquisitions in 2018 were financed by by cash and proceeds from the bond issue. Details are presented in the table below.

	ALG Cleaning SIA	VBS Serviss SIA *	Statinių priežiūra UAB	Dizaja UAB	Total
Cash consideration		1 175 000			1 175 000
Bank borrowing					
CVI bonds emission	350 000		648 338	620 410	1 618 747
Advances received for purchase of shares (24 note)			622 913	645 732	1 268 645
Non-monetary contributions for shares of the new issue					
Direct owner of shares	Civinity AB	Civinity AB	SPV 31 UAB	SPV 32 UAB	
Total consideration	350 000	1 175 000	1 271 250	1 266 142	4 062 392

* the Cash consideration includes the loans granted in year 2017 for amount of 1.020.841, which were offset during the acquisition (note 13).

Outflow of cash to acquire subsidiary, net of cash acquired

In 2018 total cash consideration of EUR 4 062 392 ,paid less cash acquired of EUR 549 518 , less advances received for purchase of shares EUI 1 268 645

less netting of loan granted EUR 1 020 841 , equals EUR 1 223 388 investing activities in the statement of cash flows.

15. LOANS GRANTED

The breakdown of loans granted to third parties after one year:

Debtor	Repayment date	Interests rate	At 31 December 2019	At 31 December 2018
City Gold Capital	2020.12.31	6,75%	181 295	181 295
City Development OOO	2020.12.31	3,50%	47 925	47 925
Vitos Valdos ZAO	2020.12.31	1%	0	28 106
ESG Baltic OU	2020.12.31	5%	22 900	22 900
OU Civinity	2020.12.31	7%	16 162	500
Birznieka Projekti SIA	2020.12.31	3,50%	0	29 500
Indrė Liaudaitytė – Jablonskienė	2020.12.31	5%	8 053	8 053
Partnerystės projektai P UAB	2020.12.31	5%+6m EURIBOR	0	50 000
Total loans granted after one year			**276 335**	**368 279**
Expected credit loss			-252 120	0
Total loans granted after one year			**24 215**	**368 279**
Non current			16 162	368 279
Current			8 053	0
Total loans granted			**24 215**	**368 279**

The fair value of loans receivable approximates their carrying amount. The interest rates of loans are reviewed at the end of each financial year and adjusted in line with market rates changes, therefore it was concluded that their fair value approximates carrying amount. The fair values of non-current loans are based on discounted cash flows using a current interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

Loans granted movement in year 2019 and 2018 is disclosed in the table below:

	2019	2018
Beginning of the year	**368 279**	**1 425 618**
Proceeds from loans granted	0	94 419
Loan offset by acquisition of subsidiary as non monetary transaction	-29 500	1 020 841
Interest charged	0	-6 740
Interest received	0	6 740
Loans repayment	-50 000	57 922
Loans granted	15 662	-
Expected credit losses	-252 120	-
Write off's	-28 106	
End of the year	**24 215**	**368 279**

16. INVENTORIES

	At 31 December 2019	At 31 December 2018
Inventories		
Raw materials	288 636	177 905
Consumables held for resale	37 284	43 529
Total inventories	**325 920**	**221 434**

17. FINANCIAL INSTRUMENTS BY CATEGORY

	At 31 December 2019	At 31 December 2018
Financial assets at amortised cost		
Loans granted and other amounts receivable after one year	22 083	377 076
Trade receivables, other receivables and contract assets	12 066 409	11 926 286
Cash and cash equivalents	3 342 936	3 292 423
Total	**15 431 428**	**15 595 786**

Financial liabilities at amortised cost	**At 31 December 2019**	**At 31 December 2018**
Borrowings	8 475 439	9 781 050
Lease liabilities	1 768 246	0
Trade payables	8 599 123	8 630 556
Other current liabilities, except for taxes, prepayments and employee benefits	1 096 523	773 786
Total	**19 939 330**	**19 185 392**

18. TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER AMOUNTS RECEIVABLE

	At 31 December 2019	At 31 December 2018
Trade receivables		
Trade receivables from commercial	4 642 435	4 017 608
Amounts receivable from residential	6 444 504	7 217 788
Expected credit losses	-1 498 232	-1 680 097
Trade receivables, net	**9 588 708**	**9 555 299**
Contract assets	**127 011**	**0**
Receivables from administered utilities contracts - not invoiced	2 162 368	2 003 687
Other amounts receivable	188 323	367 301
Other amounts receivable, net	**2 350 691**	**2 370 987**
Total	**12 066 410**	**11 926 287**

Movement in impairment during the financial year for amounts receivable under contracts with clients:

	2019	2018
At the end of the previous period (31 December)	**-1 680 097**	**-1 293 037**
IFRS 9 effect	0	-462 465
In the beginning of the reporting period (1 January)	**-1 680 097**	**-1 755 502**
Reversal of provisions	181 865	75 405
At the end of the reporting period (31 December)	**-1 498 232**	**-1 680 097**

Expected credit loss

Measurement of ECL - trade receivables and from residential and commercial clients, contract assets and receivables from administered utilities contracts - not invoiced

The Group applies the simplified approach for calculation of lifetime expected credit losses using the provision matrix for all trade receivables and receivables from administered utilities contracts - not invoiced except for receivables from commercial, based on Group's management decision. To measure the expected credit losses using provision matrix, trade receivables are split into separate pools, based on shared credit risk characteristics. Receivables in each pool are grouped according to payment delay days and loss rates are applied to each delay group. The loss rates are calculated using statistical recovery information from the last 3 years and adjusted if considered necessary taking into account forward looking information. The table below shows expected credit loss information calculated for the Group according to each delay group. As trade receivables usually do not include any collateral or other credit enhancements, expected loss rate equals probability of default.

Trade receivables

31 December 2019

Residential Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	1,50%	5,90%	9,03%	11,45%	13,62%	17,13%	19,98%	
Gross carrying amount	1 490 870	323 977	171 231	69 611	110 121	294 362	1 828 677	**4 288 849**
Loss allowance provision	-22 363	-19 114	-15 465	-7 972	-15 002	-50 429	-365 370	**-495 715**

31 December 2019

Residential Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	2,21%	6,79%	10,22%	12,91%	15,38%	19,44%	24,90%	
Gross carrying amount	664 184	167 136	126 039	97 109	191 436	264 348	645 405	**2 155 657**
Loss allowance provision	-14 705	-11 341	-12 879	-12 534	-29 450	-51 391	-160 706	**-293 005**

31 December 2019

Commercial Lithuania	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,16%	5,00%	5,00%	13,00%	13,00%	23,00%	69,48%	
Gross carrying amount	3 075 985	39 067	26 089	26 009	42 171	69 817	855 886	**4 135 023**
Loss allowance provision	-4 802	-1 954	-1 304	-3 381	-5 482	-16 058	-594 673	**-627 654**

31 December 2019

Commercial Latvia	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	0,16%	5,00%	5,00%	13,00%	13,00%	23,00%	50,00%	
Gross carrying amount	281 359	8 713	11 598	3 433	10 178	68 504	125 741	**509 527**
Loss allowance provision	-439	-436	-580	-446	-1 323	-15 756	-62 878	**-81 858**

31 December 2018

Residential	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	1,27%	6,79%	10,22%	12,91%	15,38%	19,00%	30,62%	
Gross carrying amount	2 243 531	414 181	534 268	129 651	305 533	629 256	2 961 369	7 217 789
Loss allowance provision	-28 400	-28 104	-54 591	-16 735	-47 002	-119 559	-906 811	-1 201 202

31 December 2018

Commercial	Not past due and past due up to 30 days	31-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	180-360 days past due	More than 361 days	Total
Expected loss rate	2,00%	5,00%	5,00%	13,00%	13,00%	23,00%	52,25%	
Gross carrying amount	2 852 858	60 763	14 048	101 934	128 611	208 139	651 255	4 017 608
Loss allowance provision	-57 057	-3 038	-702	-13 251	-16 719	-47 872	-340 255	-478 896

The Group uses provision matrix and individual assessment model for determining ECL for trade receivables from commercial. By applying the provision matrix, the loss rates are calculated using statistical recovery information from the last 3 years (when available) and adjusted if considered necessary taking into account forward looking information. Trade receivables from commercial using individual assessment is based on combination of indicators: the debt aging, information from courts, bailiffs, bankruptcy administrators and other urgent information. If information from courts, bailiffs, bankruptcy administrators, communication with the client and other urgent information is received, the individual assessment model is started to be applied.

Total amount of the loss alowance provision based on the individual assessment was EUR 996.305 Eur and the expected loss rate was 100% as at 31 December 2019.

Expected changes in macroeconomic situation is incorporated as part of the internal rating model. The Group's management reviews key macroeconomic indicators for the markets where Group's debtors are operating and determines if there are expected significant changes that would effect ECL.

Receivables from administered utilities contracts - not invoices and contract assets

The receivables from administered utilities contracts - not invoiced relate to reinvoiced receivables for utilities and contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the receivables from administered utilities contracts - not invoiced and contract assets. However the Group did not recognise a loss allowance for receivables from administered utilities contracts - not invoiced and contract assets because an amount of expected credit loss was immaterial (classified as "Not past due).

19. PREPAYMENTS

Prepayments	At 31 December 2019	At 31 December 2018
Prepayments	597 593	813 248
Deferred expenses	133 181	60 820
Expected credit losses for prepayments	-249 347	0
Total prepayments	481 428	874 069

20. CASH AND CASH EQUIVALENTS

	At 31 December 2019	At 31 December 2018
Cash on hand	0	5 111
Cash in transit	74 573	118 228
Cash at bank	3 268 363	3 169 084
Cash and cash equivalents	3 342 936	3 292 423

The Group cash and cash equivalents, were pledged to secure the fulfilment of the Group's liabilities according to the bonds issued (note 22).

21. SHARE CAPITAL AND LEGAL RESERVE

Share capital

As at 31 December 2019 and 31 December 2018, the Group's authorised share capital consisted of 100 ordinary registered shares with par value of EUR 1.000 each. All shares are fully paid-up.

The Company's Articles of Association do not provide for any restrictions of shareholders' rights to shares or any derivative control rights. The Company has not issued any convertible securities, exchangeable securities or guarantee securities. As at 31 December 2019 and 31 December 2018, there were no unfulfilled acquisition rights or commitments to increase authorised share capital.

Pursuant to the Lithuanian and Latvian Law on Companies the shareholders' equity should not be lower than 50 per cent of the company's share capital registered in the Articles of Association. As at 31 December 2018, the parent company Civinity AB did comply with this requirement.

At 31 of December 2018 not all the Group companies met this criteria. The Group companies in Latvia: CS Komercserviss SIA, ALG cleaning SIA, CS Apkope SIA, Labo Namu Agentūra SIA, Viens Rekins SIA, CS Renovacija SIA, VBS Serviss SIA, and in Lithuania: UAB "Klaipėdos bendrabutis", UAB "Ozo miestas", UAB "Kretingos būstas", UAB "Senamiesčio ūkis" breach this requirement.

In 2019 the management of the Group and the companies, which temporarily were not meeting the requirements, recovered the equity:

- share capital of CS Komercerviss SIA were increased by additional contributions of the shareholder Civinity AB	602 838
- share capital of ALG Cleaning SIA were increased by additional contributions of the shareholder Civinity AB	151 216
- share capital of CS Apkope SIA were increased by additional contributions of the shareholder Civinity AB	700 000
- share capital of Labo Namu Agentūra SIA were increased by additional contributions of the shareholder Civinity AB	800 880

At 31 of December 2019 Viens Rekins SIA, CS Renovacija SIA, VBS Serviss SIA, Birznieka projekti SIA, UAB "Ozo miestas", UAB "Kretingos būstas", UAB "Senamiesčio ūkis" breach this requirement. AB "Civinity" as the controlling shareholder of these companies was aware that the Group companies were not meeting the requirement due to the Group strategy to separate facilitiy management operations from the construction and maintenance activities. The management of the Group and the companies, which temporarily are not meeting the requirements, prepared and are implementing the plan for recovery of equity:

- the profitability of VBS Serviss SIA, UAB "Ozo miestas", UAB "Kretingos būstas", UAB "Senamiesčio Ūkis", CS Renovacija SIA shall be improved by increasing the efficiency of the processes and optimising the expenses.

EUR 11 million bonds issue (note 22) is secured with the 1st rank pledge of 100% of the shares of the Company, 1st rank commercial pledge over the issuer, 1st rank pledges over 100 % shares of operating companies (at least 10 biggest and at least 90 % of EBITDA to be represented plus all acquired companies) and 1st rank commercial pledges over operating companies, prohibition to transfer contracts outside of the Group, 1st rank pledge over bank accounts (detailed implementation to be agreed after legal advice is received).

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 percent of the authorised share capital.

22. BORROWINGS

	At 31 December 2019	At 31 December 2018
Non-current		
Finance lease liabilities	-	238 867
Bonds	5 866 972	-
Other non-current borrowings	108 468	138 424
	5 975 439	377 291
Current		
Finance lease liabilities	-	135 029
Bonds	2 500 000	9 200 457
Current portion of non-current borrowings	0	68 273
Other amounts receivable, net	2 500 000	9 403 759
Total	8 475 439	9 781 050

Borrowings movement in year 2019 and 2018 is disclosed in the table below:

	2019	2018
Bonds at the beginning of the year	9 200 457	10 733 943
Bonds repaid	-900 000	-1 600 000
Depreciation of the capitalization of the costs, related with the bonds is	66 514	66 514
Interest charged	658 000	770 000
Interest repaid	-658 000	-770 000
Bonds at the end of the year	8 366 971	9 200 457
Other borrowings at the beginning of the year	206 697	177 882
Proceeds from borrowings	3 750	153 807
Borrowings repaid	-53 706	
Offset of borrowings due to the sale and the acquisition of the subsidiar	-48 273	-124 992
Other borrowings at the end of the year	108 468	206 697
Finance lease at the beginning of the year	373 895	465 552
Finance lease repayments as monetary transactions	0	-247 803
Finance lease acquisitions	0	156 146
Interest charged	0	21 904
Interest repaid	0	-21 904
IFRS 16 reclassification *	-373 895	0
Finance lease at the end of the year	0	373 895
Total borrowing at the end of the year	8 475 439	9 781 050

The contractual maturity of borrowings as at 31 December 2019 and 31 December 2018:

	2019		2018	
	Fixed interest rate	**Variable interest rate**	**Fixed interest rate**	**Variable interest rate**
Within one year	0	8 366 972	20 000	9 383 760
One to five years	108 468	0	138 424	238 866
	108 468	8 366 972	158 424	9 622 626

*- From 1 January 2019, the group has recognised leases for these financial leases, except for shortterm and low-value leases, see note 13 and note 2.2 for further information

Bonds

In 2017 the group isseud bonds. The par value of each bond is EUR 100 thousand, the bonds shall be redeemed during four years with semi-annual interest payment schedule and 6-month EURIBOR plus 7% margin variable annual interest rate.

Issued bonds are secured by the pledge registered at the special registries in Lithuania and Latvia of the shares of the Company, the shares of selected Group companies and the selected assets of selected companies with total value of EUR 27.243.000. The Group's pledged assets are disclosed in the notes 12, 20, 21.

At the end of 2017 Group capitalized EUR 266 057 expenses, related with the bonds issue and refinancing of the loans from credit institutions, therefore the effective interest rate is 7,2%

In December 2019 the Group repaid EUR 900.000 portion of the bonds.

In December 2018 the Group repaid EUR 1.600.000 portion of the bonds prior the deadline of the repayment schedule.

Finance lease

The distribution of the net book value of the Group's assets acquired under financial lease is as follows:

	At 31 December 2018
Net book value of assets acquired under financial lease	422 169
Total	**422 169**

The finance leases are denominated in euros.

At 31 December 2018 the interest rate on the euro-denominated remaining balance of financial lease varies depending on 6-month EURIBOR plus 2,1-4,99% margin.

The finance lease term ranges from 1 to 5 years.

Future minimal lease payments under the above mentioned financial lease agreements are as follow:

	At 31 December 2018
Up to one year	189 666
One to five years	253 244
More than five year	
Total	**442 910**
Interest	-20 741
Present value of finance lease liabilities	**422 169**

23. CONTRACT LIABILITIES

	At 31 December 2019	At 31 December 2018
Advances received from service recipients (accumulated funds for construction and repair works)	4 917 989	4 793 252
Contract liabilities according to fixed price contracts	353 978	0
Total	5 271 967	4 793 252

In accordance with IFRS requirements, the Group classifies all prepayments received from households as current liabilities, as the Group does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the reporting period. Based on the historical experience and practice, the Group observes that accumulated funds from households for future construction, repair and current maintenance works can reduce year-over-year during 12-month period by only up to 10% (which in the view of Management represents best estimate of current liabilities based on the plans approved by the owners of the buildings to carry out specific works in the current year less new funds to be accumulated during the same period). The remaining 90% of the company's liability for accumulated funds paid by residents are expected to be carried forward and settled by delivering services after more than one year.

During 2019 year the amount of earned revenue that was included in the advances received from service recipients balance at the beginning of the period was EUR 3.408.378. Aggregate amount of the transaction price allocated to long-term fixed price contracts which performance obligations are partially unsatisfied as at the end of 2019 year was EUR 16 005 463 .

24. ADVANCES RECEIVED

	At 31 December 2019	At 31 December 2018
Advances received for purchase of shares (14 note)	1 268 645	1 268 645
Other current prepayments received	671 007	844 828
Total	1 939 652	2 113 473

25. OTHER CURRENT LIABILITIES

	At 31 December 2019	At 31 December 2018
Employees related benefits	2 414 688	2 842 977
Payable VAT	176 365	830 151
Accrued expenses	532 715	417 452
Other payables	518 808	356 334
Total	3 642 575	4 446 914

26. RELATED-PARTIES TRANSACTIONS

The parties are deemed to be related when one party has a power to exercise control over the other party or make significant influence on its financial and operation decisions.

During 2019 and 2018, the Group's related parties are as follows:

- Parent entity - Civinity OU
- Ultimate parent entity - JAVIS TRUST

Other related parties:

- City Development OOO, Russia (immaterial associate);
- UAB Mažeika ir partneriai (the owner was Chairman of the Board).

Management and the Board (note 1).

Supervisory Board (note 1).

Transactions with Group's management

Payments made to the Group's Directors and Board members and executive personnel:

	2019	2018
Wages and salaries, bonuses	476 715	449 602
Expenses of social security contributions	11 469	139 287
Car rent expenses	9 633	1 950
Total remuneration of key management personnel	**497 817**	**590 838**

No loans, guarantees or any other amounts were paid or calculated to the Group's management and no assets were transferred.

Other transactions with related parties

Presented below are the transactions with related parties reported in the Group's statement of comprehensive income and the statement of financial position as at 31 December 2019 and 31 December 2018:

	2019	2018
Purchases of goods and services from related parties		
Other related parties	219 502	103 507
	219 502	103 507
Trade payables and other amounts payable to related parties		
Members of the Board	579	32 883
	579	32 883
Trade receivables and other amounts receivable from related parties		
Members of the Board	179 349	116 527
	179 349	116 527
Loans granted and interest receivable from related parties		
Parent entity	15 662	76 532
	15 662	76 532

27. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Litigations

As at 31 December 2019, the Group had no contingent liabilities or assets that could arise from the involvement in legal proceedings initiated by a third party against the Group and by the Group against a third party.

Operating lease commitments

Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term, unless another systematic basis is more

representative of the time pattern of the earnings process contained in the lease. Contingent operating lease payments are recognised as expenses when incurred.

The Group has concluded non-cancellable agreements for the operating lease of premises, office, cars. The agreements provide for different lease periods, price increase conditions and the options to extend the agreements. On 31 December 2018 future minimum lease payments under non-cancellable lease agreements are as follow:

Commitments for minimum operating lease payments in relation to noncancellable operating leases are payable as follows:

	2018		
	Lease of transport	Lease of premises and office equipment	TOTAL
Within one year	119 019	257 016	376 036
Later than one year but not later than five years	291 098	308 560	599 658
TOTAL	410 117	565 576	975 693

From 1 January 2019, the group has recognised leases for these operating leases upon adoption of IFRS16, see note 13 and note 2.2 for further information.

28. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2020 Civinity OU and SIA "NORD FIN ASSET" has signed share purchase agreement under which SIA "NORD FIN ASSET" has acquired from Civinity OU 100% shares of the Company. The title to all shares passed to SIA "NORD FIN ASSET" on 30 March 2020.

On 12 March 2020 Virgeda Jackaitė was appointed as the Member of the Supervisory Board replacing Jurgita Trinskienė.

Vitoldas Sapožnikovas, chairman of the Supervisory Board was revoked from the Supervisory Board on 7 April 2020 and on 16 April 2020 Deividas Jacka was appointed as the Member of the Supervisory Board. On 10 April 2020 Deividas Jackas revoked himself from the Board of the Company.

On 20 April 2020 Algridas Šabūnas was appointed as the Member of the Board. On 27 April 2020 Vaidas Barakauskas was appointed as the Member of the Board replacing Domas Dargis.

On 28 April 2020 Domas Dargis was appointed as the Member of the Supervisory Board. On 30 April Deividas Jacka was appointed as the chairman of the Supervisory Board.

On 18 May 2020 Raimonda Kižienė was appointed as the new CEO of the Company replacing Giedrius Eidimtas.

On 19 May 2020 Raimonda Kižienė was appointed as the Member of the Board replacing Algirdas Šabūnas. On 27 May 2020 Gabrielius Morkūnas and Erika Sirutytė were appointed as the new Members of the Board replacing Linas Obuolevičius and Vaidas Barakauskas. On 28 May 2020 Raimonda Kižienė was appointed as the chairwoman of the Board.

Supervisory Board of the Company has revoked all members of Board from 2 August 2020 and as of 3 August 2020 new composition of the Board was elected for a new 4 years cadence. Following members of the Board were elected: Raimonda Kižienė, Gabrielius Morkūnas, Erika Sirutytė and Rūta Lapinskienė.
On 3 of August Raimonda Kižienė was appointed as the chairwoman of the Board.

COVID-19 impact on the Group's activities

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. At the time of issuing these consolidated financial statements, it appears that the negative impact on global economy and on the Group may be more severe than originally expected.

Companies within the Group are facing different levels of exposure. Companies providing administration and maintenance services, waste removal and utilities have rather fixed revenues and are not expected to experience negative effect on financial results with an exception of SIA ALG cleaning, which had to temporarily cease its operations due to COVID-19 caused restrictions implemented in the hospitality sector, in which it operates. However, the company is relatively small and it has already started recovering its operations. The impact, if any, will be incorporated into the Group's impairments and expected credit loss provisions in 2020. However, the management does not observe requirement for additional significant provisions for receivables, as recoverability of the amounts remain stable in all the companies in 2020.

Companies providing renovation, construction and repair works have faced more uncertainty, however, the Management does not see risks concerning business continuity of the companies, as contracts in hand are active, being successfully implemented in accordance to schedule, and receivables are being paid in time. In addition, a new contract with a value of over EUR 6 m to be signed, for which works are due to commence in September 2020. Based on Management's estimates, the Group is likely to reach its budget 2020, i.e. the increase in revenue is expected.

Management considers this outbreak to be a non-adjusting post balance sheet event.