AB "Civinity"

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

CONTENTS

INFORMATION ABOUT THE PARENT COMPANY	3
INDEPENDENT AUDITOR'S REPORT	4
ANNUAL REPORT OF THE GROUP FOR THE YEAR 2021	7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13

(All amounts are in thousands of euros unless otherwise stated)

INFORMATION ABOUT THE PARENT COMPANY

Name of the Group	AB „Civinity“
Legal form	Public limited liability company
Company code	302247881
Registered office address	Naugarduko g. 98, LT-03160 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	Deividas Jacka
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 shareholder 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 (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Group's consolidated financial performance and 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 2021;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 regard.

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

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
29 April 2022

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

ANNUAL REPORT OF THE GROUP FOR THE YEAR 2021

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: Naugarduko g. 98, LT-03160, Vilnius, 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. Currently the Group companies operate in Lithuania and Latvia. In 2021 group co-owned company Civinity Engineering UAB started heating, ventilation and automatic project in United Kingdom through subsidiary Civinity Engineering UK. The Group's areas of activity are relatively stable and include: commercial and residential property administration and cleaning services.

The most important buildings segments, administered by the Civinity group are: residential apartment buildings, commercial buildings and public services buildings (health care and administration). The total area of buildings under the management of the Group is 4.966 thousand sq. m. at 31 of December, 2021 and 4.931 thousand sq. m. at 31 of December, 2020.

Year 2021 was challenging for the group due the pandemic situation. The various restrictions for public areas and commercial activities mainly affected group commercial business operations, therefore the group earned less revenues then in 2020 for EUR 3.209 thousand. The revenues in 2021 amounted EUR 48.629 thousand and gross profit EUR 11.849 thousand, slightly more then in year 2020 when group amounted EUR 11.557 thousand gross profit.

Group net profitability in 2021 slightly decreased and equals to 2.2% net profit margin (2020: 3.0% net profit margin). The decrease was reasoned increase of calculated profit tax amount for sum EUR 646 thousand (2020: EUR 122 thousand). During this year Civinity group carried on implementing confirmed organic grow strategy in residential facilities management business and was further looking for efficiency in operations and receivables management.

The Group assesses general risks relating to economical, political and social factors such as Covid-19 and latest Russia war with Ukraine and therefore it is careful in choosing markets for investments and expansion. Such factors as consumer price index growth, rising remunerations, 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.

Parent company AB "Civinity" managing the Group companies and provides management and financial services to the Group companies.

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

In 2021 the Group's consolidated revenues decreased by EUR 3.209 thousand and amounted to EUR 48.629 thousand (2020: EUR 51.838 thousand).
The key factor for the revenue decrease in 2021 was decreased revenues from operations in engineering business segments, where Civinity Engineering UAB (former Dizaja UAB) managed to reach the revenues target at EUR 17.000 thousand in 2020, while in 2021 less - EUR 13.048 thousand and already mentioned pandemic restrictions affect to commercial business operations, mainly in Latvia.

The Group's profit before tax for 2021 amounted to EUR 1.726 thousand (2020: EUR 1.682 thousand). EBT or profit before tax margin was equal to 3.5% in 2021 (2020 profit before tax margin: 3.2%).

The main factors for the Group consolidated EBT level in 2021 were as follow: increase in gross profit for EUR 292 thousand and decrease in interest expenses (EUR 194 thousand).
The Group's net profit for 2021 amounted to EUR 1.080 thousand (2020: EUR 1.560 thousand). Net profit margin was equal to 2.2% in 2021 (2020 net profit margin: 3%).

3. The Group's key management personnel

As at 31 December 2021, the Group's key management personnel included the following persons:

- Deividas Jacka, Chairman of the Board and chief executive officer (since 23 December 2020),

Deividas Jacka (born in 1982) is the Chairman of the Board of Civinity AB (since 2020). He holds a Master's degree in business administration and executive MBA diploma. He is a member of the board at Civinity Engineering UAB and Civinity Solutions UAB (since 2018).

- Giedrius Eidimtas, Member of the Board, Lithuania country operations manager (since 23 December 2020),

Giedrius Eidimtas (born in 1978) is the member of the Board of Civinity AB (since 2020) and chief executive officer at UAB Civinity LT. He holds a Master's degree in business administration. He is a member of the board at Civinity Engineering UAB and Civinity Solutions UAB (since 2019).

- Giedrius Jakubauskas, Member of the Board and chief financial officer (since 23 December 2020),

Giedrius Jakubauskas (born in 1974) is the Member of the Board of Civinity AB (since 2020). He holds a Master's degree in finance. He is a member of the board at Civinity solutions UAB and Civinity Engineering UAB (since 2021).

- Edvinas Paulauskas, Member of the board and Chief Operational officer (since May 2021),

Edvinas Paulauskas (born in 1978) is Member of the board and chief operational manager (since May 2021). He holds a Master of Environmental Engineering. He is a member of the board at SPV-31 UAB;

- Andrius Bakštonas, Latvia country operations manager (since July 2020),

Andrius Bakštonas (born in 1978) is chief executive manager for Latvia country operations (since July 2020). He holds a Master's degree in social science. He is a member of the board at Civinity Mājas AS, Civinity Mājas Jūrmala SIA,CS Apkope SIA and other Latvian subsidiaries.

4. 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 2021 the Company and the Group companies neither acquired nor disposed any shares of the Company and on 31 December 2021 the Company and the Group companies held no shares of the Company. The Company does not have any other classes of shares than ordinary shares mentioned below, there are no any restrictions
of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

5. Information on branches and representative offices of the entity

The Company has nor branches neither representative offices.

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

At 2021.12.16 AB Civinity signed the shareholders agreement with company Sail Invest UAB and agree to merge residential companies Civinity namai, Civinity namai Vilnius, Servico and part of Pastatų meistrai under ownership of SPV-31 UAB, which already controls company Civinity Solutiuons UAB. The merger of the mentioned companies finished at 2022.03.01 and at this date SPV-31 UAB controls 100% shares of above mentioned companies.

As part of this reorganisation, the new group company Civinity Meistrai, UAB was established and will cover technical, cleaning and other services outside the Vilnius district.

At 2021.12.24 SPV-31 UAB signed shares purchase agreement with company AB Invalda and UAB Inservis (Lithuania) to acquire 100 % of shares UAB Priemiestis, UAB Jurita, UAB Inservis and SIA Inservis. The last company operates in Latvia. The transaction and take over is arranged at April of 2022.

7. The Group's operation plans and prospects

In 2021, the Group plans further development of its business activities in main business segments mixing organic growth and acquisitions strategy. The main focus will stay on the growth in facilities management residential, commercial business and engineering operations. The group plans significant investments into various process management systems and Sales Force could be mentioned as one of them with the target to replace old styled facilities management system (FMS) in group companies. The Sales Force system and algorithms are developed in group subsidiary Smart Technologies UAB.

In 2022, the Company management plan to operate consistently in view of improving its productivity, business process efficiency and optimizing business processes. A special focus will be on research and development property management solutions to improve customers service.

In 2022 the Group will continue to develop their ESG policy guidelines in different areas of operations, but key focus will be on modernization (renovation) project including availability to install solar plants on roofs at multi apartment houses.

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

In 2021, the Group started to develop the new facilities management information system, which combines business process management, services order desk, tickets system and will replace "FMS" developed back in 2017 with support of IT partner NFQ systems. The new system is developed on Sales force ERP platform and licencing.

In 2021, the Group continued the implementation of the "in house" invoicing system developed by the company BlueBrige Solutions UAB in the Group facilities management companies in Lithuania. Group aiming unification of the main information systems what must lead to cost and reports efficiency.

9. 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 2021 and 2020, there were no financial instruments designated to control the risk of interest rate fluctuations. The Group is meeting its short term debt obligations and has the ability to pay off its short-term liabilities and is in control of liquidity risk, refer to note 2.1.

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

Deividas Jacka
Chief Executive Officer
29 April 2022

(All amounts are in thousands of euros unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2021	2020
Revenue from contracts with customers	5	48 629	51 838
Cost of sales	6	(36 780)	(40 281)
Gross profit		11 849	11 557
Distribution expenses	7	(379)	(493)
Administrative expenses	7	(9 480)	(9 237)
Other income		244	542
Gain (loss) on disposal of Property, Plan and Equipment		(12)	19
Results from operating activities		2 221	2 388
Interest income		45	27
Interest expenses		(539)	(733)
Profit before income tax		1 726	1 682
Income tax expense	8	(646)	(122)
Profit for the period		1 080	1 560
Other comprehensive income		-	-
Total comprehensive income for the period – net of tax		1 080	1 560
Profit for the period and total comprehensive income attributable to:			
Parent's shareholders		639	1 130
Non-controlling interest		441	430
		1 080	1 560

The accompanying notes on pages from 13 to 42 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	29 April 2022
Chief Financial Officer	Giedrius Jakubauskas	29 April 2022

(All amounts are in thousands of euros unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2021	At 31 December 2020
ASSETS			
Non-current assets			
Goodwill	9	8 036	8 036
Other intangible assets	9	4 667	5 264
Property, Plant, and Equipment	10	761	425
Right-of-use assets	11	973	1 233
Other investments		34	22
Deferred income tax assets	8	244	314
Loans granted	13	1 229	16
Other amounts receivable		69	13
Total non-current assets		16 012	15 322
Current assets			
Inventories	14	557	118
Contract assets	16	137	48
Trade receivables	16	11 104	10 030
Other amounts receivable	16	2 459	1 617
Prepayments	17	1 429	525
Cash and cash equivalents	18	4 131	4 374
Total current assets		19 815	16 712
TOTAL ASSETS		35 827	32 034
EQUITY AND LIABILITIES			
Equity			
Share capital	19	100	100
Retained earnings (deficit)		3 572	2 932
Equity attributable to shareholders of the Parent		3 672	3 032
Non-controlling interest		1 024	583
Total equity		4 696	3 615
Liabilities			
Non-current liabilities			
Borrowings	20	8 986	59
Lease liabilities	11	508	763
Trade payables		122	123
Deferred income tax liability	8	37	22
Provisions		124	136
Other non-current liabilities	22	323	962
Total non-current liabilities		10 100	2 065
Current liabilities			
Borrowings	20	100	7 052
Lease liabilities	11	480	454
Trade payables		9 220	6 527
Contract liabilities	21	5 342	6 406
Income tax liability		437	382
Provisions		50	50
Other current liabilities	22	5 402	5 483
Total current liabilities		21 031	26 354
Total liabilities		31 132	28 419
TOTAL EQUITY AND LIABILITIES		35 827	32 034

The accompanying notes on pages from 13 to 42 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	29 April 2022
Chief Financial Officer	Giedrius Jakubauskas	29 April 2022

(All amounts are in thousands of euros unless otherwise stated)

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 2020		**100**	**1 766**	**1 866**	**189**	**2 055**
Profit (loss) for the period			1 130	1 130	430	1 560
Total comprehensive income for the period			**1 130**	**1 130**	**430**	**1 560**
Acquisition of minority interest			36	36	(36)	-
Total transactions between equity holders			**36**	**36**	**(36)**	**-**
Equity as at 1 January 2021		**100**	**2 932**	**3 032**	**583**	**3 615**
Profit (loss) for the period			639	639	441	1 080
Total comprehensive income for the period			**639**	**639**	**441**	**1 080**
Equity as at 31 December 2021		**100**	**3 571**	**3 671**	**1 024**	**4 696**

The accompanying notes on pages from 13 to 42 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	29 April 2022
Chief Financial Officer	Giedrius Jakubauskas	29 April 2022

(All amounts are in thousands of euros unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		1 726	1 682
Adjustments for non-cash expenses (income):			
Depreciation and amortisation	6,7	1 467	1 530
Loss allowances (reversal)	7	366	179
Interest expenses		539	733
Interest income		(45)	(27)
(Gain) loss on disposal of Property, Plant and Equipment		12	(19)
Provisions		(12)	36
Other gain (loss) - net		-	64
Changes in working capital			
(Increase) decrease in inventories		(438)	208
(Increase) decrease in trade receivables		(1 073)	(1)
(Increase) decrease in prepayments		(904)	(44)
(Increase) decrease in contract assets		(89)	79
(Increase) decrease in other amounts receivable		(898)	286
Increase (decrease) in trade payables		2 692	(1 949)
Increase (decrease) in contract liabilities		(1 063)	313
Increase (decrease) in other amounts payable		(1 764)	2 592
Net cash flows generated from operating activities		516	5 660
Cash flows from investing activities			
Purchase of intangible assets	9	(152)	(507)
Purchase of Property, Plant and Equipment	10	(586)	(333)
Disposal of non-current assets		107	71
Loans granted		(1 213)	-
Loan repayments received		-	8
Interest received		45	27
Net cash flows used in investing activities		(1 799)	(733)
Cash flows from financing activities			
Interest paid	20	(350)	(595)
Proceeds from borrowings	20	8 000	-
Repayments of borrowings	20	(6 000)	(2 550)
Lease payments	11	(611)	(751)
Net cash flows generated from (used in) financing activities		1 039	(3 896)
Net increase (decrease) in cash flows		(243)	1 031
Cash and cash equivalents at the beginning of the period		4 374	3 343
Cash and cash equivalents at end of the period	18	4 131	4 374

The accompanying notes on pages from 13 to 42 form an integral part of these financial statements.

Chief Executive Officer	Deividas Jacka	29 April 2022
Chief Financial Officer	Giedrius Jakubauskas	29 April 2022

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 Naugarduko g. 98, LT-03160, 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, address: Dubultu prospekts 3, Jūrmala, Latvia). The sole ultimate beneficiary holding a 100% ownership interest SIA "NORD FIN ASSET" is Deividas Jacka.

The group management board consist of:

- Deividas Jacka, Board Member (from 10 August 2018 until 10 April 2020 and since 23 December 2020), Chairman of Board (since 22 January 2021);
- Giedrius Eidimtas, Board Member (from 25 September 2019 until 03 August 2020 and since 23 December 2020);
- Giedrius Jakubauskas, Board Member (since 21 January 2021);
- Edvinas Paulauskas, Board Member (since 6 May 2021).

Deividas Jacka is the Company AB Civinity Chief executive officer starting 23 of December, 2020.

As at 31 December 2021 and 2020, the Company's authorised share capital consisted of 100 ordinary registered shares with par value of EUR 1 thousand 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.

1.2.Information about the Group

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

- Administration and technical maintenance of commercial property and residential, multi apartments buildings;
- Cleaning of indoor premises and outdoor areas;
- Design, installation and maintenance of heat, water, air conditioning engineering systems
- Heating, automatic, low voltage and ventilation systems maintenance;
- General construction and repair works, management of modernization (renovation) projects in buildings;
- Liquidation of accidents;
- Other.

The Group of companies successfully provides property estate facilities management services in Lithuania and Latvia.
The Group was formed through the privatisation of local municipalities owned facility management companies in Lithuania and from 2014 expanded to Latvian market. In 2005, the first facility management company Civinity Namai Klaipėda UAB (former title Vitės Valdos UAB) (Klaipėda town, Lithuania) was privatised. In 2006 companies Civinity Namai Palanga UAB (former title Palangos Butų Ūkis UAB) and Debreceno Valda UAB were acquired from municipalities of Palanga and Klaipeda (both in 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 municipality companies Civinity namai UAB (former title Senamiesčio Ūkis UAB) (Vilnius, Lithuania) and Kretingos būstas UAB (Kretinga, Lithuania) and in 2012 municipal company Civinity Namai Kaunas UAB (former title Būsto Valda UAB) was privatised in Kaunas (Lithuania). In 2014, having won the auction on the privatisation of Latvian company Civinity Mājas Jūrmala SIA (former title Jūrmala Namsaimnieks SIA) (Jūrmala), the Group started its business expansion to Latvian market. The Group's expansion to Latvian market took the following steps: in 2016 Civinity Mājas AS (former title Hausmaster AS), Home master SIA and Civinity Solutions SIA (former title CS Komercserviss SIA) were acquired, year later in 2017 Labo Namu Aģentūra SIA was acquired and in 2018 SIA "VBS Serviss" and SIA ALG Cleaning were acquired. 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".

In 2018, the Group via the joint ventures with the UAB "Partnerystės projektai P" (current name – UAB Sail Invest) 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.

In 2020 the Group subsidiary Civinity Engineering UAB established company Civinity Engineering UK in United Kingdom and started design, installation and maintenance of heat, water, air conditioning engineering systems under the contract by Vastint.

In 2021 Civinity established new company City billing sulutions LT UAB to perform specific accounting, billing and debt collection services for the facilities managment companies. The company in Latvia SIA Birznieka projekti was renamed to City billing sollutions SIA to provide the simillar services for Latvia residential companies. New company Civinity MD UAB was established in 2021 as well.
In year 2021 the Company continued internal reorganization of the group and bought shares of companies Civinity Namai Palanga UAB and UAB Debreceno NT from the other group subsidiaries.
In year 2021 was changed the names and brands of companies managed in Lithuania, Latvia and the United Kingdom and henceforth are called Civinity Namai, Civinity Majas, Civinity Solutions and Civinity engineering. This new brand strategy clarify group main bussines segments. Civinity Group's new brand strategy was widely introduced including renewed brand identities and websites.
Companies providing apartment buildings administration and maintenance services, such as Senamiesčio ūkis or Vitės valdos in Lithuania and Hausmaster, AS or Jūrmalas Namsaimnieks in Latvia, were branded as Civinity Home (Civinity Namai in Lithuania and Civinity Mājas in Latvia).
Engineering systems design and building company Dizaja changed the names to Civinity Engineering, and the UK-based company was called Civinity Engineering UK LTD.
Companies providing maintenance services for commercial and public buildings name Civinity Solutions was changed in 2020.
The whole group in the international and national markets, is called in one, common name Civinity.

(All amounts are in thousands of euros unless otherwise stated)

As at 31 December 2021 and 2020, the Group consisted of the Company and the following subsidiaries and associates:

Title of the subsidiary or associate	Country	Type of Ownership, direct owner	Profile of activities	Ownership interest held at	
				31 December 2021	31 December 2020
UAB Civinity namai Kaunas	Chemijos 15, Kaunas, Lithuania	direct	Facility management services	100%	100%
UAB Civinity namai Vilnius	Naugarduko 98 Vilnius, Lithuania	direct	Facility management services	100%	100%
UAB Civinity namai Vakarai	Danės 5-41, Klaipėda, Lithuania	direct	Facility management services	81,72%	81,72%
UAB Pastatų meistrai	Naugarduko 98 Vilnius, Lithuania	direct	Construction and repair services	100%	100%
UAB Kretingos būstas	Vytauto 118, Kretinga, Lithuania	direct	Facility management services	100%	100%
UAB Debreceno valda	Danės 5-41, Klaipėda, Lithuania	direct	Facility management services	100%	100%
UAB Debreceno NT [2]	Taikos pr. 101D, Klaipėda, Lithuania	direct	Real estate administration	95,44%	-
UAB Civinity renovacija	Naugarduko 98 Vilnius, Lithuania	direct	Construction and repair services	100%	100%
UAB Civinity namai Palanga [2]	Virbališkės 3F-1, Palanga, Lithuania	direct	Facility management services	99,44%	-
UAB Smart technologies	Naugarduko 98 Vilnius, Lithuania	direct	IT services	100%	100%
UAB Civinity MD	Naugarduko 100 Vilnius, Lithuania	direct	Projects management	100%	0%
UAB Civinity LT	Chemijos 15, Kaunas, Lithuania	direct	Services center	100%	100%
UAB City Billing Solutions	Chemijos 15, Kaunas, Lithuania	direct	Accounting services	100%	-
UAB Būsto administravimas	Danės 5-41, Klaipėda, Lithuania	direct	Holding company	100%	100%
SIA VBS serviss	Dēļu iela 5, Rīga, Latvia	direct	Facility management services	100%	100%
SIA SPV-4	Dēļu iela 5, Rīga, Latvia	direct	Holding company	100%	100%
SIA Pilsetas Lifti	Dēļu iela 5, Rīga, Latvia	direct	Construction and repair services	100%	100%
SIA Labo namu agentura	Dēļu iela 5, Rīga, Latvia	direct	Facility management services	100%	100%
SIA Home master	Dubultu prospekts 3, Jūrmala, Latvia	direct	Facility management services	100%	100%
SIA CS Apkope	Dēļu iela 5, Rīga, Latvia	direct	Construction and repair services	100%	100%
SIA Civinity solutions	Dēļu iela 5, Rīga, Latvia	direct	Facility management services	100%	100%
SIA Civinity LV	Dēļu iela 5, Rīga, Latvia	direct	Services center	100%	100%
SIA City billing solutions	Dēļu iela 5, Rīga, Latvia	direct	Accounting services	100%	100%
AS Civinity majas	Dēļu iela 5, Rīga, Latvia	direct	Facility management services	100%	100%
SIA ALG cleaning [1]	Dēļu iela 5, Rīga, Latvia	direct	Facility management services	100%	100%
UAB SPV 32	A. Goštauto 40B, Vilnius, Lithuania	direct	Holding company	51%	51%
UAB SPV 31	Naugarduko 98 Vilnius, Lithuania	direct	Holding company	51%	51%
SIA Civinity majas Jurmala	Dubultu prospekts 3, Jūrmala, Latvia	indirect, UAB Civinity namai Kaunas	Facility management services	100%	100%
SIA CS Renovacija	Dubultu prospekts 3, Jūrmala, Latvia	indirect, SIA Civinity Majas Jūrmala	Construction and repair services	100%	100%
UAB Civinity Solution	Naugarduko 98 Vilnius, Lithuania	indirect, UAB SPV31	Commercial sector facility management services	51%	51%
UAB Civinity Engineering	Naugarduko 98 Vilnius, Lithuania	indirect, UAB SPV32	Commercial sector facility management services	51% 51%	51% 51%
LTD Civinity Engineering UK	United Kingdom	indirect, UAB Civinity Engineering	Commercial sector facility management services	51% 51%	51% 51%
UAB Civinity namai Klaipėda	Danės 5-41, Klaipėda, Lithuania	indirect, UAB Būsto administravimas	Facility management services	100%	100%
UAB Debreceno NT [2]	Taikos pr. 101D, Klaipėda, Lithuania	directly (72,54%), indirectly and via subsidiaries UAB Civinity namai (12,84%), UAB Kretingos būstas (10,04%)	Real estate administration	-	95,44%
UAB Civinity namai Palanga [2]	Virbališkės 3F-1, Palanga, Lithuania	indirect, UAB Civinity namai Klaipėda	Facility management services	-	99%

[1] ALG Cleaning SIA dormant company, liquidation will be finished in 2022
[2] In year 2021 the Company continued internal reorganization of the group and bought shares of companies UAB Civinity Namai Palanga and UAB Debreceno NT from the other subsidiaries.

As at 31 December 2021, the Group had 1.517 employees (31 December 2020: 1.389) employees.

The Group's management approved these consolidated financial statements on 29 April 2022

As required, management has prepared the annual financial statements which should be approved by the shareholder. The shareholder 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 2021 and 2020

Changes in 2020

On 20 November 2020 Civinity AB has signed 4 share purchase agreements with individuals to acquire additional 11,37% shares in Klaipėdos bendrabutis UAB for the total amount of 6365 EUR.
On 12 December 2020 the share capital increase of CS Komercserviss SIA by EUR 250 thousand was recorded in the Registry of Enterprises of the Republic of Latvia. The share capital was increased by increasing the nominal value of shares by EUR 89 and it was paid in by the cash contributions of the Company.

Changes in 2021

On 15 December 2021 Civinity AB signed share purchase agreement according to which it acquired 10 665 ordinary shares of subsidiary UAB Debreceno valda. After the transaction Civinity AB controls 100% shares of UAB Debreceno valda.

On 04 of April 2021 Civinity AB has signed the share purchase agreement to sell 178 shares of Civinity Namai Palanga UAB (former Palangos butų ūkis UAB) to Civinity namai Klaipėda UAB. The value of acquisition is EUR 2 thousand and was paid by cash contribution at 31 of August, 2021. After the completion the Company has 0 % shares control in Civinity Namai Palanga UAB.

On 21 April 2021 Civinity AB signed share purchase agreement according to which acquired 31 774 ordinary shares of subsidiary Debreceno NT UAB. The value of acquisition is EUR 26 thousand and was paid by cash contribution at 31 April, 2021. At the same date Civinity AB acquired 24.827 ordinary shared of Debreceno NT UAB for the sum EUR 20 thousand. After the transaction Civinity AB controls 95,4 % shares of UAB Debreceno NT.

1.4. COVID-19 impact on the Group's activities

On March 2020 announced quarantine continues in 2021. 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 Civinity Solution, which had to postponed tenders for some public maintenance services due to COVID-19 caused restrictions. However, the company clients portfolio is well structured and it has already started recovering its operations. Therefore, the management does not observe requirement for additional significant provisions for receivables, as recoverability of the amounts remain stable in all the companies in 2021.

COVID-19 did not have a significant impact on the Company's operations: a hybrid work module was introduced for group employees and still large number of employees continued to work remotely. The Company management, assessed the potential impact of key COVID-19 factors on the Company strategic goals, cash flows, financial results and assessed that this matter will not affected the Company's results as the Company remained less affected by the current economic situation.

2.BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Civinity Group 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 2021. The financial statements have been prepared on a going concern basis.

The Group's liquidity ratio (total current assets / total current liabilities) was approximately equal to 0,94 as at 31 December 2021 (31 December 2020: 0,63). The increase of Group's liquidity ratio is related with borrowings carried forward of EUR 8 millions classified under long term liabilities (Note 20). After reclassification of prepayments based on this management estimate (Note 4.1), Group's liquidity ratio would approximately equal to 1.2 as at 31 December 2021.

The financial statements have been prepared 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'.

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 2021:

Covid-19-related rent concessions – Amendments to IFRS 16

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. These amendments had no significant impact on the Group's financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Phase 2 amendments address issues that arise from the implementation of the reforms (among which - accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform, end date for Phase 1 relief for non-contractually specified risk components in hedging relationships, additional temporary exceptions from applying specific hedge accounting requirements, additional IFRS 7 disclosures related to IBOR reform) including the replacement of one benchmark with an alternative one. These amendments had no significant impact on the Group's financial statements.

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

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. An entity will use IAS 2 to measure the cost of those items where cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.
The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling.
IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities.
Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed.
In the opinion of the Company, these amendments will not have any impact on the the Group's financial statements.

Covid-19-related rent concessions – Amendments to IFRS 16

In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. In the opinion of the Group, these amendments will have no significant impact on the Group's 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

- IFRS 14 Regulatory Deferral Accounts;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28;
- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Classification of liabilities as current or non-current, deferral of the effective date – Amendments to IAS 1;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendments to IAS 8: Definition of Accounting Estimates;
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12;

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 9.

(All amounts are in thousands of euros unless otherwise stated)

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 useful lifes established as follows (in years):

- Patents, licenses and computer software	3 years
- Trademark	10 years
- Customer base*	5 (commecial clients);20 (residential sector clients) years

*As at 31st December 2021 it was evaluated annual average Clients base attrition rate for the companies for the last 4-6 years since these companies acquisition date. Assessment gave real average annual residential sector clients attrition rate equal to 5% (Clients base life time period qual to 20 years), instead of the used 3% attrition rate and Clients base full depreciation in 33 years. Therefore since the 1 January 2020 the group is using 20 years life time period for the residential sector Clients' base.

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 life, 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 life 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 life 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 liabili ties

Under IFRS 9, Financial Instruments, the Group classifies its financial assets into the following 3 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

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 Group is a sub-lessor of the right-of-use assets. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset, otherwise, it is classified as an operating lease. The Group's subleases classified as operating leases. The lease income from operating leases is recognised on a straight-line basis over the lease term.

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 2020 and as at 31 December 2021), 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 2020 and as at 31 December 2021).

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 2020 and as at 31 December 2021.

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 2020 and as at 31 December 2021.

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 rendered 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, accumulated 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, including commission fee 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, rendering 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 maintenance 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 2019 and 2020. 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.

2.23.Fair value estimation

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 Company 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.

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 9. 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 9.

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 16.

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.

(All amounts are in thousands of euros unless otherwise stated)

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 2021 and 2020, 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 2021	At 31 December 2020
Loans granted	1 229	16
Borrowings	7 827	5 933
Lease liabilities	988	1 217

As at 31 December 2021 and 31 December 2020, there were no interest-free borrowings.

In December 2017 the Company non-publicly issued the bonds for the value of EUR 11 million. The issued of the bonds was subscribed by the independent funds if the Polish Investment company "Credit Value Investments" (CVI). The part 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 margin of 7%. In September 2021 the Company issued new bonds emission for the value of EUR 8 million and repaid the remaining previous hold bonds. The issue of new bonds emission was subscribed by the independent Company Legisperitus UAB. The nominal value of each bond is EUR 1 thousand, the bonds to be redeemed upon two years with semi-annual interest payment schedule and variable rate calculated as 6-month EURIBOR plus a margin of 5%.

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.

2021	Increase / decrease, pp	Impact on profit for 2021 before income tax
in EUR	1%	(76)
in EUR	-1%	76

2020	Increase / decrease, pp	Impact on profit for 2020 before income tax
in EUR	1%	(71)
in EUR	-1%	71

Foreign exchange risk

The Group's financial assets and liabilities as at 31 December 2021 and 2020 are denominated in the euros, therefore the Group is not exposed to foreign exchange risk. Group subsidiary Civinity Engineering UK which executing construction project MU2 in London (United Kingdom), according the tender and agreement conditions with Vastint UK B.V. nominated the contact in EUR with option to convert part of payments into GBP.

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 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 0.94 as at 31 December 2021 (31 December 2020: 0.63). The increase of Company's liquidity ratio is related to new issue of EUR 8 millions bonds emission with a two years tenor.

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 1.2 as at 31 December 2021 (31 December 2020: 0.8).

(All amounts are in thousands of euros unless otherwise stated)

The table below summarises the contractual maturity profile of financial liabilities as at 31 December 2021 and 2020.

At 31 December 2021

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	988	1 029	135	385	510	-
Other borrowings	1 326	1 351	15	417	919	-
Bonds	7 760	8 800	-	400	8 400	-
Non-current trade payables subject to deferred payment schedule	122	390	3	8	53	326
Trade payables	9 220	9 245	8 656	503	86	-
Total	**19 417**	**20 816**	**8 808**	**1 713**	**9 968**	**326**

At 31 December 2020

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	1 217	1 375	155	404	817	-
Other borrowings	1 177	1 263	36	1 163	64	-
Bonds	5 933	6 415	104	6 312	-	-
Non-current trade payables subject to deferred payment schedule	123	401	3	8	53	337
Trade payables	6 527	6 527	5 738	443	346	-
Total	**14 978**	**15 981**	**6 035**	**8 329**	**1 280**	**337**

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, contract assets, 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's aging and expected credit loss calculation procedures are disclosed in Note 16.

The outstanding debts of clients are grouped by the number of overdue days (ageing). Depending on the number of overdue days, the debtors 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 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 approached 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:

	2021	2020
Contract assets	137	48
Trade receivables	11 104	10 030
Other amounts receivable	2 459	1 617
Loans granted	1 229	16
Cash and cash equivalents	4 131	4 374
Total	**19 059**	**16 085**

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	2021	2020
Aa2	-	2 226
Aa3	656	182
Ba1	-	1 543
Baa1	577	256
Baa2	2 785	-
Not rated	45	115
Cash on hand	1	-
Cash in transit	67	53
Total	**4 131**	**4 374**

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 2021 amounted EUR 2 178 thousand (note 16), 31 December 2020 recognized impairment was EUR 2.275 thousand.
Groups management tested the loans granted for impairment and estimated that the carrying amount may not be recoverable. 31 December 2020 recognized impairment was EUR 252 thousand (see note 14), no additional impairment recognized as at 31 December 2021.

Group granted loans mostly are to related parties and the risk for the repayment failure is considerred to be low. Significant part of loans (more than 70%) are issued to parent company SIA NORD FIN ASSETS and will be settled with dividends in the future. Therefore the expected credit loss is immaterial and is not recognized (note 13).

Cash and cash equivalents include cash and cash balances in bank accounts, therefore credit risk arising from them is minimal.

Cyber security risks

The group companies managing the data with customer data used for invoicing and internal financial information. Therefore the group prepared control and security procedures, which are continuously reviewed internally and in cooperation with government institutions. In February of 2021 the group Latvia subsidiaries server was attacked and infected by crypto virus (Ransomware origin). Considering crypto virus origin, cyber security auditors (NRD Security) suspect that attack was resulted of social engineering scam. Initially virus get into virtual system and later via domain was propagated to root server. The group security system ensures that data leak was not identified. Cyber security incident was investigated by Latvia government cyber security institution and was stated that group security policies are well effective and protect the confidential and private data leak. The expenses related to investigation, legal and professional services, notifications to customers counted EUR 47 thousand. The group do not suffer any losses of revenues and future cash flows and was not claimed by any individual or legal person.
To decrease further risks, enforce cyber security and prevent other vulnerabilities the group hire external cyber security company, which start reviewing data security policies, risk management policies, execute penetration test on external and internal IT infrastructure of Civinity group companies. Additionally, in scope of project will be execute ISO27001:2017 conformity assessment.

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 2021 and 2020 the Group complied with the mentioned obligation, but the ratio was breached at the stand alone level by the several companies City Billing Solutions LT, City billing solutions LV, Kretingos būstas, Civinity namai, Civinity renovacija LT, Civinity namai Vilnius, CS Apkope, Civinity Solutions, Labo Namo agentūra and the Company. The dividends received from the group companies during the year 2021 increased Civinity AB equity by EUR 870 thousand and company's management estimate to reach positive equity ratio in following two financial years. The management already counting that in 2022 dividends from controlled subsidiaries will be amounted at EUR 1.729 thousand. The others subsidiaries will be examinated through 2022 in accordance with budget and the Group may adjust dividends, transfer pricing policies or increase the capital.

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 terms and conditions of the unsecured bonds issued on 14 October 2021 laid down the only one financial covenant: Debt/EBITDA ratio must be less < 4. This ratio will be calculated on semi annual basis for the last 12 months according to the following formula: total financial Debt/EBITDA, where the total financial debt is understood as the Issuer’s financial obligations less cash. The ratio shall be calculated following the set of audited annual (consolidated) financial statements and set of unaudited half yearly financial statements. The Group Debt/EBITDA ratio calculated at 31 December 2021 is 2.3 (consolidated Net Debt/ EBITDA ratio at 31 December 2020 was not breached).

Additional covenants throughout bonds period are stated as follow:
1) to met Equity to Assets ratio at 0,1 (at 31 December 31 2021 Group consolidated Equity to Assets ratio was 0.13 - the requirement of the covenant was maintained);
2) newly provided loans, guarantees and sureties to other entities, which are not direct or indirect Group companies shall not exceed EUR 500 thousand. On 31 December 2021 Civinity Group consolidated newly provided loans, guarantees and sureties to other entities, which are not direct or indirect Group companies amounted EUR 46 thousand - the requirement of the covenant was maintained;
3) The Company shall not, and shall ensure that Group Companies shall, carry out any merger or any other business combination or corporate reorganization involving a consolidation of the assets and obligations of the Company or any other Group company with any other companies or entities, if such transaction is expected to lead to non-compliance with the Financial covenant mentioned in the article No.1 above. On 31 December 2021 the requirement of the covenant was maintained.

The Group is monitoring consolidated Net Debt to EBITDA ratio continuously on semi annual basis and yearly basis.

At 31 of December 2021 not all the Group companies met this criteria and the ratio was breached at the stand alone level by the several companies City Billing Solutions LT, City billing solutions LV, Kretingos būstas, Civinity namai, Civinity renovacija LT, Civinity namai Vilnius, CS Apkope, Civinity Solutions, Labo Namo agentūra and the Company. The dividends received from the group companies during the year 2021 increased Civinity AB equity by EUR 0.87 milions and company's management estimate to reach positive equity ratio in following two financial years. The management already counting that in 2022 dividends from controlled subsidiaries will be ammounted at EUR 1.729 millions. The others subsidiares will be examinated through 2022 in accordance with budget and the Group may adjust dividends, transfer pricing policies or increase the capital.

Group Companies CS Renovacija SIA, Civinity namai UAB Civinity namai Vilnius UAB Kretingos būstas UAB, Civinity renovacija LT UAB acting as building renovation (modernization) projects management companies and according management estimation and plans the modernization projects portfolio will increase and reached profitability will ensure enough level of equity.
CS Apkope SIA is facilities management works performing company for other Group Latvian companies. In 2022 it is planned to increase the Company profitability by changing pricing methodology and focusing only in residential facilities operations. Civinity solutions SIA will expand their client potfolio and with additional sales, gross profit and expenses control will ensure profitability increase with enough level of equitty. Newly started subsidiaries UAB City billing solutions LT and SIA City billing solutions LV will operate as internal share services companies for invoicing, debt collection and communities accounting and according the budgets will reach marked profitability base on transfer pricing policies for 2022 and restore their equitty ratio.

At 31 of December 2020 CS Renovacija SIA, City billing solutions LV SIA, Civinity namai Vilnius UAB, Civinity renovacija LT UAB, CS Apkope SIA breach this requirement. Civinity AB 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 facility 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.

4.3.Fair value estimation

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 and other receivable, trade and other payables and borrowings approximates their fair value.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis. The Company also has long term bonds (Note 4.1 Liquidity risk).

(All amounts are in thousands of euros unless otherwise stated)

5. REVENUES

Revenue from contracts with customers	2021	2020
Administration and maintenance services	24 421	24 351
Waste removal and utilities	909	766
Renovation, construction and repair works	23 142	26 662
Other revenue	157	59
	48 629	51 838

Revenue from contracts with customers by the type of buildings, 2021	Commercial	Residential	Total
Administration and maintenance services	5 322	19 099	24 421
Waste removal and utilities	-	909	909
Renovation, construction and repair works	15 194	7 948	23 142
Other revenue	76	81	157
	20 592	28 037	48 629

Revenue from contracts with customers by the type of buildings, 2020	Commercial	Residential	Total
Administration and maintenance services	5 502	18 849	24 351
Waste removal and utilities	7	759	766
Renovation, construction and repair works	18 911	7 751	26 662
Other revenue	12	47	59
	24 431	27 407	51 838

Revenue from contracts with customers by the regional breakdown, 2021	Lithuania	Latvia	UK	Total
Administration and maintenance services	9 838	14 583	-	24 421
Waste removal and utilities	907	2	-	909
Renovation, construction and repair works	20 581	2 147	415	23 143
Other revenue	-	157	-	157
	31 326	16 889	415	48 629

Revenue from contracts with customers by the regional breakdown, 2020	Lithuania	Latvia	UK	Total
Administration and maintenance services	8 826	15 525	-	24 351
Waste removal and utilities	753	12	-	766
Renovation, construction and repair works	24 349	2 313	-	26 662
Other revenue	10	49	-	59
	33 937	17 901	-	51 838

(All amounts are in thousands of euros unless otherwise stated)

6. COST OF SALES

Costs of Sales	2021	2020
Wages, salaries and social security contributions	14 323	14 509
Subcontracting	11 491	14 473
Utilities	2 209	1 758
Materials, inventories and consumables used	8 739	9 461
Other costs	18	80
	36 780	40 281

Costs of Sales by the type of buildings, 2021	Commercial	Residential	Total
Wages, salaries and social security contributions	6 579	7 744	14 323
Subcontracting	3 730	7 761	11 491
Utilities	79	2 130	2 209
Materials, inventories and consumables used	7 391	1 348	8 739
Other costs	1	17	18
	17 779	19 001	36 780

Costs of Sales by the type of buildings, 2020	Commercial	Residential	Total
Wages, salaries and social security contributions	6 472	8 037	14 509
Subcontracting	6 711	7 762	14 473
Utilities	81	1 677	1 758
Materials, inventories and consumables used	8 378	1 083	9 461
Other costs	47	33	80
	21 689	18 592	40 281

Costs of Sales by the regional breakdown, 2021	Lithuania	Latvia	UK	Total
Wages, salaries and social security contributions	7 481	6 794	48	14 323
Subcontracting	7 641	3 850	-	11 491
Utilities	1 602	607	-	2 209
Materials, inventories and consumables used	7 743	882	114	8 739
Other costs	7	11	-	18
	24 474	12 144	162	36 780

Costs of Sales by the regional breakdown, 2020	Lithuania	Latvia	Total
Wages, salaries and social security contributions	7 370	7 139	14 509
Subcontracting	9 985	4 488	14 473
Utilities	1 225	533	1 758
Materials, inventories and consumables used	8 751	710	9 461
Other costs	26	54	80
	27 357	12 924	40 281

(All amounts are in thousands of euros unless otherwise stated)

7. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Expenses	2021	2020
Distribution expenses		
Marketing and selling expenses	379	493
Administrative expenses		
Employee benefits	5 024	4 545
Depreciation and amortisation	1 232	1 478
Professional services	1 786	1 624
Allowance for bad debts	366	179
Transport expenses	223	371
Premises administration and maintenance	323	169
Other expenses	525	871
Total administrative expenses	9 480	9 237
	9 859	9 730

Distribution and administrative expenses by the regional breakdown, 2021	Lithuania	Latvia	UK	Lithuania (management)	Total
Distribution expenses					
Marketing and selling expenses	111	138	22	109	379
Administrative expenses					
Employee benefits	2 019	1 934	47	1 024	5 024
Depreciation and amortisation	193	497	-	542	1 232
Professional services	374	651	79	682	1 786
Allowance for bad debts	306	18	-	42	366
Transport expenses	68	74	-	81	223
Premises administration and maintenance	70	207	-	46	323
Other expenses	52	464	-	9	525
Total administrative expenses	3 082	3 845	126	2 426	9 479
	3 193	3 983	148	2 535	9 859

Distribution and administrative expenses by the regional breakdown, 2020	Lithuania	Latvia	Lithuania (management)	Total
Distribution expenses				
Marketing and selling expenses	78	269	146	493
Administrative expenses				
Employee benefits	1 299	1 947	1 299	4 545
Depreciation and amortisation	375	653	450	1 478
Professional services	285	591	748	1 624
Allowance for bad debts	155	23	-	179
Transport expenses	36	109	226	371
Premises administration and maintenance	7	137	25	169
Other expenses	416	408	47	871
Total administrative expenses	2 573	3 868	2 797	9 237
	2 651	4 137	2 942	9 730

(All amounts are in thousands of euros unless otherwise stated)

8. INCOME TAX

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

Components of income tax (expenses) income	2021	2020
Current year income tax expenses	(422)	(337)
Correction of prior year income tax	(139)	-
Deferred income tax (expenses) income	(85)	215
Income tax (expenses) income recognised in profit or loss	**(646)**	**(122)**

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 2021 is as follows:

	Balance at 31 December 2020	Recognised in profit or loss during the year	Balance at 31 December 2021
Deferred income tax assets			
Accruals	176	(12)	163
Bad debts	27	(1)	26
Other various temporary differences	130	(74)	57
Recognised deferred income tax assets	**333**	**(87)**	**246**
Assets netted against liability of the same legal entitie:	(20)	17	(2)
Deferred income tax assets – net	**314**	**(70)**	**244**
Deferred income tax liabilities			
Non current assets	(42)	2	(40)
Recognised deferred income tax liabilities	**(42)**	**2**	**(40)**
Liability netted against assets of the same legal entities	20	(17)	2
Deferred income tax liabilities – net	**(22)**	**(15)**	**(37)**

The movement in deferred income tax assets and liabilities of the Group during 2020 is as follows:

	Balance at 31 December 2019	Recognised in profit or loss during the year	Balance at 31 December 2020
Deferred income tax assets			
Accruals	98	77	176
Bad debts	28	(1)	27
Other various temporary differences	55	75	130
Recognised deferred income tax assets	**182**	**151**	**333**
Assets netted against liability of the same legal entities	(21)	2	(20)
Deferred income tax assets – net	**160**	**153**	**314**
Deferred income tax liabilities			
Non current assets	(102)	60	(42)
Recognised deferred income tax liabilities	**(102)**	**60**	**(42)**
Liability netted against assets of the same legal entities	21	(2)	20
Deferred income tax liabilities – net	**(81)**	**59**	**(22)**

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:

	2021	2020
Profit (loss) before income tax	1 726	1 682
Income tax expenses calculated using a tax rate of 15%	(259)	(252)
Expenses not deductible for tax purposes	(283)	(84)
Correction of prior year income tax	(139)	-
Different tax rate in Latvia	34	214
Income tax expenses recognised in the statement of comprehensive income	**(646)**	**(122)**

(All amounts are in thousands of euros unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Other intangible assets			Total
		Trademark	Computer software, licences	Customer base	
At 1 January 2020					
Cost	8 377	-	884	5 653	14 915
Accumulated amortisation and impairment	(341)	-	(281)	(893)	(1 515)
Net book amount	**8 036**	**-**	**604**	**4 760**	**13 400**
Year ended 31 December 2020					
Opening net book amount	8 036	-	604	4 760	13 400
Additions	-	360	147	-	507
Amortisation charge	-	-	(294)	(312)	(606)
Closing net book amount	8 036	360	456	4 448	13 300
At 31 December 2020					
Cost	8 377	360	942	5 653	15 332
Accumulated amortisation and impairment	(341)	-	(486)	(1 205)	(2 032)
Net book amount	**8 036**	**360**	**456**	**4 448**	**13 300**
Year ended 31 December 2021					
Opening net book amount	8 036	360	456	4 448	13 300
Additions	-	-	152	-	152
Disposals	-	-	-	(38)	(38)
Amortisation charge	-	(36)	(306)	(369)	(712)
Closing net book amount	8 036	324	302	4 041	12 703
At 31 December 2021					
Cost	8 377	360	1 094	5 653	15 485
Accumulated amortisation and impairment	(341)	(36)	(792)	(1 612)	(2 782)
Net book amount	**8 036**	**324**	**302**	**4 041**	**12 703**

Customer base intangible assets comprise the following assets:

	Client base	Acquisition date	Acquisition value, EUR	Net book amount, EUR	Remaining useful lives, years
Civinity Mājas Jūrmala SIA	Residential sector	2014.12.19	1 151	874	14
Civinity Mājas AS	Residential sector	2016.07.28	2 199	1 791	16
Civinity Solutions SIA	Residential sector	2016.09.21	376	308	16
Civinity Solutions SIA	Commercial clients	2016.09.21	238	-	0
SIA Labo Namu Agentūra	Residential sector	2017.04.30	844	703	16
SIA Labo Namu Agentūra	Commercial clients	2017.04.30	243	46	2
SIA ALG cleaning	Commercial clients	2018.02.13	87	-	2
SIA VBS Serviss	Residential sector	2018.03.01	309	266	17
SIA VBS Serviss	Commercial clients	2018.03.01	22	5	2
Civinity Solutions UAB	Commercial clients	2018.07.31	185	48	2
Total			**5 653**	**4 041**	

Amortisation charge of the Group's intangible assets is included in administrative expenses (note 7).
2021 tested Clients attrition showed that real average Clients base life period is 20 years instead of the initially used 33 years, therefor for the year 2021 it is used 5% clients attrition rate.

(All amounts are in thousands of euros unless otherwise stated)

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 2021	31 December 2020
Civinity Namai Klaipėda UAB	38	38
Civinity Namai Palanga UAB	464	464
Debreceno Valda UAB	311	311
Civinity Namai UAB	666	666
Civinity Namai Kaunas UAB	422	422
Civinity Namai Vakarai UAB	451	451
Civinity Mājas Jūrmala SIA	283	283
Civinity Namai Vilnius UAB	69	69
Civinity Mājas AS	1 850	1 850
Home Master SIA	38	38
Civinity Solutions SIA	1 158	1 158
VBS Serviss SIA	919	919
Civinity Solutions UAB	720	720
Civinity Engineering UAB	647	647
Total goodwill	8 036	8 036

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 2021 and 2020 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 2021

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2022–2026 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2022	Revenue in 2026	Gross profit margin in 2022, (%)	Gross profit margin in 2026, (%)
Civinity Namai Klaipėda UAB	2 007	2 109	18,87%	18,87%
Debreceno Valda UAB	1 779	1 851	18,20%	18,20%
Civinity Namai Palanga UAB	611	660	19,77%	19,77%
Civinity Namai UAB	3 787	4 059	15,08%	15,58%
Civinity Namai Kaunas UAB	6 510	6 841	20,80%	20,80%
Civinity Namai Vakarai UAB	1 586	1 667	14,54%	14,54%
Civinity Mājas Jūrmala SIA	4 994	5 565	41,17%	41,17%
Civinity Namai Vilnius UAB	936	984	14,58%	14,58%
Civinity Mājas AS	5 911	6 588	16,74%	16,74%
Home Master SIA	99	116	51,02%	51,02%
Civinity Solutions SIA	6 718	7 487	16,71%	16,71%
Labo Namu Agentūra SIA	716	965	26,67%	26,67%
VBS serviss SIA	501	547	28,89%	28,89%
Civinity Solutions UAB	4 415	5 622	19,95%	19,95%
Civinity Engineering UAB	21 232	22 313	10,54%	10,54%
	61 801	67 374	17,45%	17,66%

- The final value beyond 2026 was calculated using the terminal value growth rate of 0,5%.
- Projected cash flows were discounted using a discount rate of 5,82%.

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.

(All amounts are in thousands of euros unless otherwise stated)

Impairment test 2020

The assets' value in use was determined using cash flow projections based on the financial forecasts for 2021–2025 prepared by the management. The assets' value in use was determined by discounting future cash flows and using the following main assumptions:

	Revenue in 2021	Revenue in 2025	Gross profit margin in 2021, (%)	Gross profit margin in 2025, (%)
Civinity Namai Klaipėda UAB	1 998	2 142	21,18%	21,18%
Debreceno Valda UAB	1 471	1 546	20,53%	20,53%
Civinity Namai Palanga UAB	539	602	19,50%	19,50%
Civinity Namai UAB	3 407	3 760	16,04%	16,54%
Civinity Namai Kaunas UAB	5 950	6 377	18,19%	18,19%
Civinity Namai Vakarai UAB	1 326	1 422	16,71%	16,71%
Civinity Mājas Jūrmala SIA	4 910	5 633	41,94%	46,01%
Civinity Namai Vilnius UAB	646	692	13,35%	13,35%
Civinity Mājas SIA	6 050	6 941	20,56%	20,56%
Home Master SIA	96	122	32,68%	39,97%
Civinity Solutions SIA	6 208	7 123	13,35%	13,59%
Labo Namu Agentūra SIA	855	1 185	24,96%	31,00%
VBS serviss SIA	516	581	26,24%	32,66%
Civinity Solutions UAB	3 273	4 366	17,13%	17,13%
Civinity Engineering UAB	19 002	19 179	8,29%	6,87%
	56 249	61 669	16,24%	17,28%

- The final value beyond 2025 was calculated using the terminal value growth rate of 0,5%.
- Projected cash flows were discounted using a discount rate of 6,95%.

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.

(All amounts are in thousands of euros unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Other assets	Investment property	Total
At 1 January 2020									
Cost or fair value	35	2 273	343	57	597	8	249	-	3 563
Accumulated depriciation	-	(2 261)	(313)	(10)	(293)	-	(198)	-	(3 075)
Net book amount	35	12	30	47	305	8	51	-	488
Year ended 31 December 2020									
Opening net book amount	35	12	30	47	305	8	51	-	488
Additions	-	8	-	127	117	-	80	-	333
Disposals	(27)	20	(1)	62	(49)	(8)	(9)	-	(12)
Depriciation charge	-	(7)	(11)	(211)	(83)	-	(87)	-	(399)
Closing net book amount	8	33	18	26	289	-	35	-	409
At 31 December 2020									
Cost or fair value	8	53	339	145	417	-	276	-	1 238
Accumulated depriciation	-	(20)	(321)	(120)	(128)	-	(241)	-	(830)
Net book amount	8	33	18	26	289	-	35	-	409
Year ended 31 December 2021									
Opening net book amount	8	33	18	26	289	-	35	-	409
Additions	-	262	23	6	231	-	64	-	586
Disposals	-	-	(4)	-	(32)	-	(1)	-	(38)
Depriciation charge	-	(1)	(18)	(28)	(115)	-	(34)	-	(196)
Closing net book amount	8	294	19	4	373	-	64	-	761
At 31 December 2021									
Cost or fair value	8	316	354	151	560	-	338	-	1 726
Accumulated depriciation	-	(22)	(335)	(147)	(187)	-	(274)	-	(965)
Net book amount	8	294	19	4	373	-	64	-	761

Depreciation is included in administrative and cost of sales expenses.

The property (excluding real estate, including future assets) of the Group companies: Civinity Kaunas UAB, Civinity Namai UAB, Civinity Namai Klaipėda UAB, Debreceno valda UAB, Civinity Namai Palanga UAB, Pastatų meistrai UAB, Civinity Mājas Jūrmala SIA, Civinity Mājas AS, Civinity Solutions SIA, Labo namu agentūra SIA and CS Apkope SIA, were pledged to secure the fulfilment of the Group's liabilities according to the CVI bonds issued (note 20), which was redeemed in October 2021, therefore at 31 December 2021 there was no pledge on the Group cash and cash equivalents.

Group's property, plant and equipment with the acquisition cost of EUR 470 thousand as at 31 December 2021 (31 December 2020: EUR 400 thousand) were fully depreciated but still in use.

(All amounts are in thousands of euros unless otherwise stated)

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

The balance sheet shows the following amounts relating to leases:

	2021	2020
Right-of-use assets		
Buildings	353	550
Plant and machinery	-	17
Vehicles	620	662
Others	-	4
	973	1 233
Lease liabilities		
Current	480	454
Non-current	508	763
	988	1 217

Additions to the right-of-use assets during the 2021 financial year were EUR 315 thousand (2020 - EUR 81 thousand).

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:	2021	2020
Depreciation charge of right-of-use assets		
Buildings	197	306
Plant and machinery	-	11
Vehicles	238	201
Others	-	6
	435	524
Interest expense (included in finance cost)	67	119
	67	119

The total cash outflow for leases in 2021 was EUR 610 thousand (in 2020 was EUR 751 thousand).

12. BUSINESS COMBINATIONS

There were no business combinations in 2020 and 2021.

13. LOANS GRANTED

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

Debtor	Repayment date	Interests rate	At 31 December 2021	At 31 December 2020
City Gold Capital	2021.05.03	6,75%	-	181
City Development OOO	2021.05.03	3,50%	-	48
ESG Baltic OU	2021.05.03	5%	-	23
OU Civinity	2023.12.31	7%	16	16
SIA Nord fin asset	2023.12.31	5%	821	-
SIA Partly	2022.12.31	5%	20	-
UAB Pentaframe Capital	2023.12.31	5%	372	-
Total loans granted after one year			**1 229**	**268**
Expected credit loss			-	(252)
Total loans granted after one year			**1 229**	**16**
Non current			1 229	-
Current			-	16
Total loans granted			**1 229**	**16**

The fair value of loans granted approximates their carrying amount. The interest rates of loans are reviewed at the end of each financial year and are adjusted in line with actual interest rate applicable for the company from financial institutions. Thus majority of the loans are with 5% interest rate and met rates for 2021, October Civinity AB bonds emission. Significant part of loans are granted to parent company SIA NORD FIN ASSETS and will be settled with dividends in the future.
Loans granted are issued with a fixed margin + 6 month EURIBOR.

Loans granted movement in year 2021 and 2020 is disclosed in the table below:

	2021	2020
Beginning of the year	16	24
Loans repayment	-	(8)
Loans granted	1 213	-
Expected credit losses reversal	252	-
Write off's	(252)	-
End of the year	1 229	16

(All amounts are in thousands of euros unless otherwise stated)

14. INVENTORIES

	At 31 December 2021	At 31 December 2020
Inventories		
Raw materials	459	102
Consumables held for resale	98	16
Total inventories	557	118

15. FINANCIAL INSTRUMENTS BY CATEGORY

	At 31 December 2021	At 31 December 2020
Financial assets at amortised cost		
Loans granted and other amounts receivable after one year	1 298	29
Trade receivables, other receivables and contract assets	13 699	11 695
Cash and cash equivalents	4 131	4 374
Total	19 127	16 098

Financial liabilities at amortised cost	At 31 December 2021	At 31 December 2020
Borrowings	9 086	7 111
Lease liabilities	988	1 217
Trade payables	7 869	6 650
Other current liabilities, except for taxes, prepayments and employee benefits	1 474	1 419
Total	19 417	16 397

16. TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER AMOUNTS RECEIVABLE

	At 31 December 2021	At 31 December 2020
Trade receivables		
Trade receivables from commercial	5 552	4 599
Amounts receivable from residential	7 730	7 707
Expected credit losses	(2 178)	(2 275)
Trade receivables, net	11 104	10 030
Contract assets	137	48
Receivables from administered utilities contracts - not invoiced	1 880	1 474
Other amounts receivable	579	143
Other amounts receivable, net	2 459	1 617
Total	13 700	11 695

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

	2021	2020
In the beginning of the reporting period (1 January)	(2 275)	(2 354)
Writeoffs	463	258
Reversal (increase) of provisions	(366)	(179)
At the end of the reporting period (31 December)	(2 178)	(2 275)

Expected credit loss

Measurement of ECL - trade receivables 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 5 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.

(All amounts are in thousands of euros unless otherwise stated)

Trade receivables

31 December 2021

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	2,05%	10,47%	13,44%	17,49%	18,83%	23,26%	41,06%	
Gross carrying amount	2 995	41	52	26	103	278	1 930	5 425
Loss allowance provision	(61)	(4)	(7)	(5)	(19)	(65)	(792)	(953)

31 December 2021

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	1,27%	2,46%	5,24%	5,47%	10,35%	8,82%	43,92%	
Gross carrying amount	303	58	31	28	48	130	1 707	2 305
Loss allowance provision	(4)	(1)	(2)	(2)	(5)	(11)	(750)	(775)

31 December 2021

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	0,00%	1,40%	2,92%	1,28%	5,96%	5,22%	80,24%	
Gross carrying amount	4 438	17	5	16	16	110	490	5 092
Loss allowance provision	-	-	-	-	(1)	(6)	(393)	(400)

31 December 2021

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	0,06%	5,00%	4,92%	13,00%	13,00%	22,36%	43,13%	
Gross carrying amount	337	3	1	6	-	1	113	461
Loss allowance provision	-	-	-	(1)	-	-	(49)	(50)

(All amounts are in thousands of euros unless otherwise stated)

31 December 2020

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	1,83%	8,43%	8,47%	8,51%	18,58%	21,93%	44,90%	
Gross carrying amount	2 393	149	65	50	64	338	1 978	5 037
Loss allowance provision	(44)	(13)	(6)	(4)	(12)	(74)	(888)	(1 041)

31 December 2020

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	1,20%	4,41%	6,50%	7,97%	9,84%	11,68%	36,49%	
Gross carrying amount	307	70	56	51	73	190	1 922	2 669
Loss allowance provision	(4)	(3)	(4)	(4)	(7)	(22)	(701)	(745)

31 December 2020

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	0,00%	0,72%	2,40%	2,55%	4,16%	2,38%	47,26%	
Gross carrying amount	3 067	39	10	5	17	90	882	4 110
Loss allowance provision	-	-	-	-	(1)	(2)	(417)	(420)

31 December 2020

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	0,44%	4,99%	4,99%	13,08%	13,00%	22,61%	44,12%	
Gross carrying amount	268	36	11	9	16	17	134	491
Loss allowance provision	(1)	(2)	(1)	(1)	(2)	(4)	(59)	(70)

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.
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 invoiced 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).

(All amounts are in thousands of euros unless otherwise stated)

17. PREPAYMENTS

Prepayments	At 31 December 2021	At 31 December 2020
Prepayments	411	446
Prepayments for investments in subsidiaries (note 25)	701	-
Deferred expenses	330	326
Expected credit losses for prepayments	(13)	(247)
Total prepayments	**1 429**	**525**

18. CASH AND CASH EQUIVALENTS

	At 31 December 2021	At 31 December 2020
Cash on hand	1	-
Cash in transit	67	53
Cash at bank	4 063	4 321
Cash and cash equivalents	**4 131**	**4 374**

The Group cash and cash equivalents, were pledged to secure the fulfilment of the Group's liabilities according to the CVI bonds issued (note 20), which was redeemed in October 2021, therefore at 31 December 2021 there was no pledge on the Group cash and cash equivalents.

19. SHARE CAPITAL AND LEGAL RESERVE

Share capital

As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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.

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.

(All amounts are in thousands of euros unless otherwise stated)

20. BORROWINGS

	At 31 December 2021	At 31 December 2020
Non-current		
Bonds	7 760	-
Other borrowings	1 226	59
	8 986	59
Current		
Bonds	67	5 933
Other borrowings	34	1 118
Other amounts receivable, net	100	7 052
Total	9 086	7 111

Borrowings movement in year 2021 and 2020 is disclosed in the table below:

	2021	2020
Bonds at the beginning of the year	5 933	8 367
Proceeds from bonds	8 000	-
Capitalization of the costs, related with the bonds issue	(240)	-
Bonds repaid	(6 000)	(2 500)
Depreciation of the capitalization of the costs, related with the bonds issue	67	67
Interest charged	417	595
Interest repaid	(350)	(595)
Bonds at the end of the year	7 827	5 933
Other borrowings at the beginning of the year	1 177	108
Borrowings obtained as non Monetary transactions	82	-
Borrowings repaid/offset	-	(50)
Reclassification from advances	-	1 118
Other borrowings at the end of the year	1 259	1 177
Total borrowing at the end of the year	9 086	7 111

The contractual maturity of borrowings as at 31 December 2021 and 31 December 2020:

	2021		2020	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
Within one year	-	(173)	-	5 933
One to five years	1 259	8 000	1 177	-
	1 259	7 827	1 177	5 933

Bonds

In 2021 the Group issued EUR 8.0 millions bonds with the nominal value 1000 EUR of each bond. The bonds shall be redeemed during 2 years with semi-annual interest payment schedule and 6-month EURIBOR plus 5% margin variable annual interest rate. The bonds are listed at Nasdaq First North market with the ISIN code LT0000405748.

Due to capitalized bonds issue costs the effective interest rate is 5.2%

Other borrowings

In 2020 advances received for purchase of shares Civinity Solutions UAB and Civinity Engineering UAB were reclassified to other borrowings according conditions stated into signed loan agreements. Total loan EUR 1.118 millions will be redeemed till 31 December 2021, with 5% interest rate. In year 2021 prolonged till 31 December 2023.

21. CONTRACT LIABILITIES

	At 31 December 2021	At 31 December 2020
Advances received from service recipients (accumulated funds for construction and repair works)	4 645	5 231
Other advances received	378	443
Contract liabilities according to fixed price contracts	319	731
Total	5 342	6 406

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.

(All amounts are in thousands of euros unless otherwise stated)

During 2021 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 3.300 thousand (during 2020 - EUR 3.487 thousand).

Aggregate amount of the transaction price allocated to long-term fixed price contracts which performance obligations are partially unsatisfied as at the end of 2021 year was EUR 10.670 thousand, at the end of 2020 year was EUR 11.393 thousand.

22. OTHER CURRENT AND NON-CURRENT LIABILITIES

Non-current	At 31 December 2021	At 31 December 2020
Employees related benefits and taxes	245	533
Payable VAT	-	409
Other payables	78	21
Total other current liabilities	**323**	**962**
Current		
Employees related benefits and taxes	3 112	3 606
Payable VAT	865	671
Accrued expenses	582	793
Other payables	843	413
Total other non-current liabilities	**5 402**	**5 483**
Total other liabilities	**5 725**	**6 445**

During the year 2020 Group received tax loan, repayment timetable was agreed with tax authorities, the latest payment amount is year 2024. Total remaining amount as at 31 December 2021 this amount is EUR 319 thousand in non-current part of tax loan (of which social security tax is EUR 246 thousand and income tax is 74 thousand) and current part of tax loan is EUR 1.081 thousand (of which personal income tax is EUR 243 thousand, social security tax is EUR 234 thousand, VAT EUR 521 thousand and income tax 83 thousand). EUR 331 thousand is payable regular business related VAT tax. As at 31 December 2020 this amount is EUR 957.862 in non-current part of tax loan (of which personal income tax is EUR 184.132, social security tax is EUR 345.866) and current part of tax loan is EUR 653.505 (of which personal income tax is EUR 184.022, social security tax is EUR 42 868 and VAT EUR 402.317). EUR 268.485 is payable regular business related VAT tax.

23. 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 2021 and 2020, the Group's related parties are as follows:

- Ultimate Parent and Parent entity - Nord Fin Assets, SIA (registration number 44103136863, Latvia);

Other related parties:

- Pentaframe Capital, UAB

Transactions with Group's management

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

	2021	2020
Wages and salaries, bonuses	593	441
Expenses of social security contributions	29	28
Car rent expenses	13	12
Total remuneration of key management personnel	**635**	**480**

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:

	2021	2020
Purchases of goods and services from related parties		
Other related parties	30	182
	30	182

	31 December 2021	31 December 2020
Trade receivables and other amounts receivable from related parties		
Other related parties	235	-
Parent entity	42	-
Members of the Board	-	115
	276	115
Loans granted and interest receivable from related parties		
Other related parties	372	-
Parent entity	822	42
	1 194	42

(All amounts are in thousands of euros unless otherwise stated)

24. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Litigations

As at 31 December 2021, the Group had no material 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.

25. EVENTS AFTER THE REPORTING PERIOD

From March, 2022 Civinity Solutions Board ceased to exist as new board at SPV-31 UAB was elected.

At 2021.12.16 AB Civinity signed the shareholders agreement with company Sail Invest UAB and agree to merge residential companies Civinity namai, Civinity namai Vilnius, Servico and part of Pastatų meistrai under ownership of SPV-31, UAB. The merger of the companies finished at 2022.03.01 (date of obtaining control). Separated part from Pastatų meistrai, the group company Civinity Meistrai, UAB was established and will cover technical, cleaning and other services outside the Vilnius district.
The primary reasons for the business combination is the Group's expansion in Lithuania facilities management market.
Servico UAB transaction value EUR 3.332 thousands was reported on 20 December 2021.
Transaction is structured and consideration is coverred as 3 Civinity Group companies stock – for – stock shareholders contributions. Civinity namai UAB, Civinity namai Vilnius UAB and reorganized Pastatų meistrai UAB (Vilnius region) were evaluated for EUR 3.332 thousand market value and considerred as Civinity Group non monetary shareholders contribution for the transaction settlement. Stock split represents 51/49 relative valuation of Civinity Group and Sail Invest UAB businesses on SPV-31 UAB level. Net Assets of both sides were adjusted accordingly to match the same split at the moment of the merger.
The EUR 2.427 thousand goodwill is attributable to the market share and the potential in profitability of the acquired businesses. It will not be deductible for tax purposes.

	Servico UAB
Transaction value, in thousand of EUR	3 332
Ownership interest acquired, %	51%

The primary reasons for the business combination was the Group's expansion in Lithuanian market. 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 company recognised from the 1 March 2022 and are as follow:

Intangible assets (client base)	1 082
Property, plant and equipment	93
Loans granted	535
Amounts receivable	844
Cash and cash equivalents	739
Non-current borrowings	47
Current borrowings	20
Trade payables	629
Advance amounts received	576
Other amounts payable	246
Net identifiable assets acquired	**1 775**
Purchase consideration	3 332
Non-controlling interest	(870)
Goodwill	**2 427**

The total value of intangible assets includes the fair value of client base acquired for amount of 1.082 thousand EUR.

On 28 December 2021 SPV-31 UAB signed shares purchase agreement with company AB Invalda and UAB Inservis (Lithuania) to acquire 100 % of shares of 4 (four) facilities management group companies: UAB Inservis, UAB Priemestis, UAB Jurita and SIA Inservis (Latvia). The Competition Council permit for this transaction received at 28 February 2022. The total sale price for the shares is EUR 7 million and the price or part thereof, if applicable, may be adjusted by (a) increasing it by 12% annual interest rate calculated in accordance with the principle agreed between the parties and (b) reducing it by impairment, if any. The transaction partly will be financed by bank credit issued to SPV-31, UAB and take over of the companies is arranged at May of 2022. As at 31 December 2021 group already made advanced payment for amount of EUR 701 thousand (note 17). The transaction is expected to be completed until 30 June 2022.

The Russia forces invade to Ukraine at 2022.02.24 and group management re-evaluated business risk and estimate that the war in Ukraine will not significantly affect Group operations. The group does not have subsidiaries or partners in the Russia or Belarus and Ukraine.