Aon Baltic UADBB

COMPANY’S FINANCIAL STATEMENTS, FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ADOPTED BY THE EUROPEAN UNION,

PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR’S REPORT

AND ANNUAL REPORT

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UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholder of UADBB Aon Baltic

Opinion

We have audited the accompanying financial statements of UADBB Aon Baltic (hereinafter the Company), which comprise the statement of financial position as of 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

Other information consists of the information included in the Company's Annual Report for 2020, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

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

We also have to evaluate, if the financial information included in the Company's Annual Report for 2020 corresponds to the financial statements for the same financial year and if the Company's Annual Report for 2020 was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report for 2020 corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report for 2020 was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Kęstutis Juozaitis
Auditor's licence
No. 000550

12 May 2021

A SHORT OVERVIEW OF THE COMPANY

Aon Baltic UADBB (hereinafter "the Company") is a private limited liability insurance brokerage company registered in the Republic of Lithuania.

As at 31 December 2020 and 2019, the sole shareholder of the Company was Aon Holdings B.V. (the Netherlands). The Company has neither acquired nor disposed own shares during the reporting period. Žilvinas Petrauskas is the Company's Director and Rasa Norkūnė is the Head of Finances.

The Company operates in three Baltic States: Lithuania, Latvia and Estonia. In Latvia and Estonia, the Company conducts insurance brokerage activities through its branches Aon Baltic Latvijas filiale UADBB and Aon Baltic Eesti filiaal UADBB. The main office of the Company is in Vilnius, Lithuania. The Company also has regional offices in Kaunas, Klaipėda, Alytus, Šiauliai, Panevėžys, Riga, Ventspils and Tallinn. Under the cooperation agreement with SEB Lizingas UAB, insurance brokerage services are provided to lease recipients in SEB Lizingas UAB office in Vilnius.

As at 31 December 2020, the Company owned 100% of shares of subsidiary One underwriting UAB with investment cost amounting to EUR 3,000 (as at 31 December 2019: EUR 3,000). As at 31 December 2020 equity of subsidiary One underwriting UAB amounted to EUR 239,476 (as at 31 December 2019: EUR 237,591). As at 31 December 2019, the Company also owned 100% of shares subsidiary Riskikonsultatsioonide OÜ with investment cost amounting to EUR 2,556. In 2020, Riskikonsultatsioonide OÜ was liquidated and superseded by Aon Baltic Eesti filiaal UADBB.

As at 31 December 2020, the Company had 170 employees in Lithuania (excluding employees which are on maternity leave) (as at 31 December 2019: 185). As at 31 December 2020, there were 39 employees in the branches of Latvia and Estonia (as at 31 December 2019: 44).

In 2020, the revenues of the Company amounted to EUR 20,848,953 (EUR 19,638,026 in 2019) and the net profit for the year 2020 amounted to EUR 2,600,567 (net loss in 2019: EUR 205,220).

The Company is not engaged into research and development activities and does not use financial instruments.

The director of the Company's does not participate in the management of other companies.

OVERVIEW OF THE COMPANY 'S ANNUAL ACTIVITIES

In 2020, the total growth of the Lithuanian insurance market was 1.0%, i.e. 6.7% slower than in 2019, when the market grew by 7.7%. The slower growth was due to a decrease in premiums in the non-life insurance market. In 2020, non-life insurance premiums fell by 1.7%, meanwhile, growth of 7.2% was recorded in 2019. Premiums for all major non-life insurance fell, however, property insurance premiums grew the fastest. The life insurance market was relatively strong: insurance premiums grew by 7.5% over the period, which is 1.4% lower than in 2019.

According to the Bank of Lithuania, the sales revenue of insurance brokerage companies during 2020 grew by 3.1% and amounted to EUR 58 million. In terms of sales revenue, Aon Baltic UADBB is the market leader among insurance brokerage companies, whose revenue accounts for 33% of total insurance brokerage market revenue. Insurance supervisory authorities in Latvia and Estonia are not disclosing the results of insurance brokerage companies publicly.

COMPANY'S BUSINESS PLANS AND FORECASTS

Based on the forecast of the Bank of Lithuania, Lithuanian insurance market will grow by 3–5% in 2021. The non-life insurance market is expected to grow slightly faster than the life insurance market. Similar trends are expected in the Latvian and Estonian insurance markets. Aon Baltic UADBB plans to grow along with the market.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No other significant events identified after the end of the financial year, except those, that are described in Note 22 to these financial statements.

Žilvinas Petrauskas
Director

Aon Baltic UADBB
STATEMENT OF COMPREHENSIVE INCOME FOR 2020
(all amounts are in EUR unless otherwise stated)

	Note	2020	2019 (restated)*
REVENUE FROM CONTRACTS WITH CUSTOMERS		20,848,953	19,638,026
Commission received from insurance companies		19,031,986	17,165,892
Commission received from customers		528,268	321,551
Other main activity revenues		1,288,699	2,150,583
COST OF SALES (-)	4, 23	(10,208,202)	(9,096,018),
GROSS PROFIT		10,640,751	10,542,008
OPERATING EXPENSES (-)	14, 23	(7,809,015)	(10,439,647)
Sales and distribution expenses (-)		(744,928)	(724,641)
Administrative expenses (-)		(7,064,087)	(9,715,006)
OTHER ACTIVITIES	15	186,239	29,654
Other income		198,845	45,573
Other expenses (-)		(12,606)	(15,919)
OPERATING PROFIT		3,017,975	132,015
FINANCING AND INVESTING ACTIVITIES	5	(42,326)	(91,001)
Finance income		17,694	2,954
Finance expenses		(60,020)	(93,955)
PROFIT BEFORE TAX		2,975,649	41,014
Income tax (-)	16	(375,082)	(246,234)
NET PROFIT		2,600,567	(205,220)
TOTAL OTHER COMPREHENSIVE INCOME		-	-
NET COMPREHENSIVE INCOME		2,600,567	(205,220)

** Information on restatements due to correction of errors is presented in Note 23.*

Director		12/05/2021	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		12/05/2021	Rasa Norkūnė
	(signature)	(date)	(name, surname)

Aon Baltic UADBB
AS AT 31 DECEMBER 2020
STATEMENT OF FINANCIAL POSITION
(all amounts are in EUR unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
NON-CURRENT ASSETS		7,475,993	7,908,538
INTANGIBLE ASSETS	6	5,435,573	5,761,549
Goodwill		4,340,427	4,401,780
Software		172,455	206,167
Customer lists		922,691	1,153,405
Other intangible assets		-	197
PROPERTY, PLANT AND EQUIPMENT	7	404,938	425,641
Leasehold improvements		180,271	173,417
Furniture and fittings		71,055	54,038
Vehicles		26,031	36,444
Office equipment		45,917	4,414
Telecommunication, IT and computer equipment		81,664	157,328
RIGHT-OF-USE ASSETS	8	1,621,448	1,703,787
Right-of-use assets		1,621,448	1,703,787
FINANCIAL ASSETS		14,034	17,561
Investments in subsidiaries	1	3,000	5,556
Other financial assets		11,034	12,005
CURRENT ASSETS		12,712,623	11,926,761
INVENTORIES AND PREPAYMENTS		-	82,072
Prepayments		-	82,072
CURRENT RECEIVABLES		6,662,912	6,816,368
Trade receivables	9	6,584	21,951
Receivables from insurance companies	9	80,773	525,755
Receivables from related parties	9, 20	165,113	333,180
Other receivables	9	6,410,442	5,935,482
OTHER CURRENT ASSETS		320,090	1,114,277
Deferred expenses	21	288,306	1,099,723
Other current assets		31,784	14,554
CASH AND CASH EQUIVALENTS	10	5,729,621	3,914,044
Cash in fiduciary accounts in bank		2,673,275	2,503,922
Cash in other credit institutions		3,056,346	1,410,122
TOTAL ASSETS		20,188,616	19,835,299

Aon Baltic UADBB
AS AT 31 DECEMBER 2020
STATEMENT OF FINANCIAL POSITION
(all amounts are in EUR unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
EQUITY		10,433,003	7,832,436
CAPITAL		859,578	859,578
Issued (subscribed) capital	1	848,418	848,418
Share premium		11,160	11,160
RESERVES		89,070	89,070
Legal reserve	11	84,842	84,842
Foreign currency translation reserve		4,228	4,228
RETAINED EARNINGS (LOSS)	12	9,484,355	6,883,788
Profit for the year		2,600,567	(205,220)
Previous year profit		6,883,788	7,089,008
LIABILITIES		9,755,613	12,002,863
NON-CURRENT LIABILITIES		1,262,720	1,280,006
Borrowings		1,104,845	1,197,662
Lease liabilities	13, 18	1,104,845	1,197,662
Non-current provisions		55,963	45,341
Provision for pensions and similar liabilities	13, 17	55,963	45,341
Other non-current liabilities		101,912	37,003
Deferred tax liability	16	101,912	37,003
CURRENT LIABILITIES		8,492,893	10,722,857
Short-term borrowings	13, 18	548,458	538,549
Current portion of lease liabilities		548,458	538,549
Current payables		7,115,369	7,592,430
Liabilities to insurance companies (premiums collected)	13	2,081,379	995,702
Trade payables	13	233,877	652,355
Payables to related parties	13, 20	9,007	387,418
Employment-related liabilities	13	1,644,774	1,475,423
Accrued expenses	13	1,149,197	826,666
Other payables	13	1,997,135	3,254,866
Current provisions		12,088	2,510,482
Provision for pensions and similar liabilities	13, 17	12,088	10,482
Other provisions	13	-	2,500,000
Other current liabilities		816,978	81,396
Contract liabilities	13	783,114	41,207
Income tax liabilities	13	33,864	40,189
TOTAL EQUITY AND LIABILITIES		20,188,616	19,835,299

Director		12/05/2021	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		12/05/2021	Rasa Norkūnė
	(signature)	(date)	(name, surname)

CASH FLOW STETEMENT FOR THE YEAR ENDED 2020
(all amounts are in EUR unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		2,975,649	41,014
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7, 8	1,028,862	1,018,437
Impairment losses	6, 7, 8	61,353	-
Result on disposal of non-current assets		(183)	(766)
Non-current assets write-off	14	13,722	91,555
Change in provisions		12,228	(121,199)
Effect of foreign exchange	5	(14,081)	21,867
Interest expense	5	60,020	70,981
Interest income	5	(3,613)	(2,954)
Result of liquidation of subsidiary in Estonia	15	(179,290)	-
Impairment (reversal) of receivables	9	8,232	29,527
Changes in working capital:			
(Increase)/decrease in prepayments and deferred expenses		893,489	(35,908)
(Increase)/decrease in trade receivables and receivables from insurance companies		484,060	2,660,400
(Increase)/decrease in receivables from related parties		136,124	696,124
(Increase)/decrease in other receivables, other current assets and financial assets		(487,606)	(1,946,413)
(Increase)/decrease in trade payables and payables to related companies		(796,889)	(219,097)
Increase (decrease) in contract liabilities		741,907	(61,741)
Change in employment-related liabilities		169,351	(100,404)
Increase/(decrease) in liabilities to insurance companies, accrued expenses and other payables		164,566	309,649
Income tax (paid)		(316,507)	(724,188)
Net cash flows from operating activities		4,951,394	1,726,884
Cash flows from/(used in) investing activities			
Acquisition of non-current assets (except for investments)	7	(116,998)	(376,244)
Acquisition of intangible assets (except for investments)	6	(18,833)	(7,170)
Disposal of non-current assets (except for investments)		453	895
Deferred payment for shares acquisition	13	(2,500,000)	(350,000)
Liquidation of subsidiary in Estonia	1	181,847	-
Net cash flows from/(used in) investing activities		(2,453,531)	(732,519)
Cash flows from/(used in) financing activities			
Repayment of loans		-	(230,000)
Lease payments, including interest	18	(675,057)	(660,716)
Interest paid	5	(7,229)	(4,796)
Net cash flows from/(used in) financing activities		(682,286)	(895,512)
Net increase (decrease) in cash flows		1,815,577	98,853
Effect of exchange rate changes on cash and cash equivalent balances		-	-
Cash and cash equivalents at the beginning of the period	10	3,914,044	3,815,191
Cash and cash equivalents at the end of the year	10	5,729,621	3,914,044

Director		12/05/2021	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		12/05/2021	Rasa Norkūnė
	(signature)	(date)	(name, surname)

Aon Baltic UADBB

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2020
(all amounts are in EUR unless otherwise stated)

	Note	Paid-up share capital	Share premium	Legal reserve	Foreign currency translation reserve	Retained earnings	Total
Opening balance – prior year		**848,418**	**11,160**	**84,842**	**4,228**	**7,089,008**	**8,037,656**
Net profit (loss)		-	-	-	-	(205,220)	(205,220)
Other comprehensive income		-	-	-	-	-	-
Net comprehensive income		**-**	**-**	**-**	**-**	**(205,220)**	**(205,220)**
Closing balance – prior year		**848,418**	**11,160**	**84,842**	**4,228**	**6,883,788**	**7,832,436**
Net profit		-	-	-	-	2,600,567	2,600,567
Other comprehensive income		-	-	-	-	-	-
Net comprehensive income		**-**	**-**	**-**	**-**	**2,600,567**	**2,600,567**
Closing balance – current year		**848,418**	**11,160**	**84,842**	**4,228**	**9,484,355**	**10,433,003**

Director		12/05/2021	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		12/05/2021	Rasa Norkūnė
	(signature)	(date)	(name, surname)

NOTE 1. GENERAL INFORMATION

Aon Baltic UADBB (hereinafter “the Company”) is a private limited liability insurance brokerage company (company code 110591289) registered in the Republic of Lithuania. The Company is registered at Karaliaus Mindaugo ave. 35, Kaunas, Lithuania.

The Company also conducts insurance brokerage activities in Latvia and Estonia through its branches Aon Baltic Latvijas filiale UADBB and Aon Baltic Eesti filiaal UADBB.

As at 31 December 2020, the Company owned 100% of shares of subsidiary One underwriting UAB with investment cost amounting to EUR 3,000 (as at 31 December 2019: EUR 3,000). As at 31 December 2020 equity of subsidiary One underwriting UAB amounted to EUR 239,476 (as at 31 December 2019: EUR 237,591). As at 31 December 2019, the Company also owned 100% of shares subsidiary Riskikonsultatsioonide OÜ with investment cost amounting to EUR 2,556. In 2020, Riskikonsultatsioonide OÜ was liquidated and superseded by Aon Baltic Eesti filiaal UADBB.

The Company does not prepare consolidated financial statements, because financial results of its subsidiary One Underwriting UAB are not material to the Company and in accordance with the Law on Financial Reporting by the Republic of Lithuania, the Company does not have to prepare consolidated financial statements.

As at 31 December 2020 and 2019, the sole shareholder of the Company was Aon Holdings B.V. (the Netherlands). As from 1 April 2020, the Company’s ultimate parent is Aon Public Limited Company (Ireland), company code 604607 (until 1 April 2020, Aon Plc (United Kingdom), company code 7876075).

All shares of the Company with the nominal value of EUR 9.27 each are ordinary, registered and intangible shares. The issued capital of the Company is divided into 91,523 shares, the value of which as at 31 December 2020 and 2019 amounted to EUR 848,418.

All the shares of the Company were fully paid as at 31 December 2020 and 2019. The Company did not hold its own shares in 2020 and 2019.

As at 31 December 2020, the Company had 170 employees in Lithuania (excluding employees which are on maternity leave) (as at 31 December 2019: 185). As at 31 December 2020, there were 39 employees in the branches of Latvia and Estonia (as at 31 December 2019: 44).

The management of the Company approved these financial statements on 12 May 2021. The shareholder has a statutory right to approve these financial statements or not to approve them and require preparation of new financial statements.

NOTE 2. ACCOUNTING POLICY

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter “the EU”).

Basis of preparation

Company’s financial statements are prepared on the historical cost basis.
These financial statements were prepared based on the assumption of going concern.
The Company’s financial year coincides with a calendar year.

Currency of financial statements

The amounts in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR).

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following new/amended IFRSs which have been adopted by the Company as of 1 January 2020:

Conceptual Framework in IFRS standards

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

IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "material" (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

Interest Rate Benchmark Reform: IFRS 9, IAS 39 and IFRS 7 (Amendments)
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7, Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

Standards issued but not yet effective
The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not effective yet:

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020, IASB decided to defer the effective date of the standard to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not yet adopted for use in the European Union. Management has not yet evaluated the impact of the implementation of this standard.

IFRS 17: Insurance Contracts (Amendments) and IFRS 4: Insurance Contracts (Amendments)
The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The standard has not yet adopted for use in the European Union. Management has not yet evaluated the impact of the implementation of this standard.

IFRS 10: Consolidated Financial Statements and IAS 28: Investments in subsidiaries, associates and joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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

IAS 1: Presentation of Financial Statements: Classification of liabilities as current or non-current (Amendments)

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

IFRS 3: Business Combinations; IAS 16: Property, Plant and Equipment; IAS 37: Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018–2020 (Amendments)

The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3: Business Combinations
  The updated IFRS 3 provides reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- 16: Property, Plant and Equipment
  The Standard prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets.
  The Standard specifies which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018–2020
  The annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these amendments.

IFRS 16: Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment effective for reporting periods beginning on or after 1 April 2021. Earlier application is permitted. The amendment has not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these amendments.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
On 27 August 2020, the IASB published "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, thus completing its work in response to the IBOR reform: the amendments include a practical expedient to take account of the consequences on financial reporting of replacing the interbank offered rates (IBOR) with a nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7, Financial Instruments: Disclosures to enable users of financial statements to understand the effect of the interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendment applies to annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. While application is retrospective, an entity is not required to restate prior periods. Management has not yet evaluated the impact of the implementation of these amendments.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):
The amendments effective for reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The amendment has not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these amendments.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendment has not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these amendments.

Accounting policy: below are the principal accounting policies applied in the preparation of the Company's financial statements:
(2.1) Intangible assets
Intangible assets are measured on initial recognition at cost. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of the assets can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful lives of the intangible assets. For the purpose of the statement of comprehensive income, amortisation expenses of intangible assets are included in operating expenses.

The Company has identified the following groups of intangible assets to which useful lives apply:

Goodwill is not amortized and tested annually for impairment.
Software – 5 years (a shorter useful life may be determined, taking into account the individual terms of the contract, the ability to protect the acquired assets, the Company's plans to use and maintain the assets).
Client lists – 4–7 years.
Other intangible assets – 4 years.

Costs incurred in order to restore or maintain the future economic benefits that the Company expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the support or maintenance work is carried out.

(2.2) Property, plant and equipment
Property, plant and equipment is stated at acquisition (production) cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful lives established for property, plant and equipment. Depreciation is started to be calculated from the next month after the asset is brought into operation. For the purpose of the statement of comprehensive income, depreciation of property, plant and equipment is disclosed in the cost of sales, operating costs or other operating costs, depending on the usage of the asset.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred. Where it can be clearly demonstrated that those costs will lead to an increase in the economic benefits embodied in the use and/or an increase in the estimated economic life of the asset, costs are capitalised by adding them to the cost of the property, plant and equipment.

The Company has identified the following groups of property, plant and equipment and applies the following minimum value and depreciation rates to them:

	Minimum value (EUR)	Depreciation rates (years)
Furniture and fittings	1,000	10
Vehicles	2,900	4
Leasehold improvements	1,000	<10*
Office equipment	1,000	4–5
Telecommunication, IT and computer equipment	1,000	4–5

* If the lease term is less than 10 years, the depreciation rate is equal to the lease term.

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

When assets are sold or written-off, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income. Gains or losses on disposal of property, plant and equipment are determined by reference to the proceeds from disposal less the net book value of the assets disposed and all the expenses related to such disposal.

Leasehold improvements are recognized as property, plant and equipment in the period in which they are incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the property, plant and equipment and the remaining lease term, whichever is shorter. Depreciation is started to be calculated from the next month after the asset is brought into operation.

(2.3) Financial assets and financial liabilities

(2.3.1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of the financial asset depends on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

For financial asset would be attributed and valued at amortized cost or at fair value through other comprehensive income, cash flows coming from financial asset should be only solely payments of principal and interest (SPPI) from main unfulfilled amount. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

The Company's financial asset management model indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

A regular way purchases or sales of financial assets are accounted for at trade date, i.e., the date that the Company commits to purchase or sell the financial asset.

Subsequent measurement

After initial recognition, the Company measures financial assets:
• Amortised cost (debt instruments);
• Fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition into profit or loss (debt instruments). The Company did not have such items as at 31 December 2020 and 2019.
• Fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition into profit or loss (equity instruments). As at 31 December 2020 and 2019, the Company did not have such financial instruments;
• Fair value through profit or loss. The Company did not have such items as at 31 December 2020 and 2019.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortized cost, if the two conditions are met:
• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
• Contractual terms and conditions of financial assets allow for obtaining cash flows, on certain dates, which are solely the payments of the principal or the interest on the outstanding principal.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method, less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Company's financial assets include cash and cash equivalents, trade receivables, financial instruments that are not quoted in an active market.

Derecognition

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement with a third party, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognises the associated liability. The transferred asset and associated liability are measured based on the rights and obligations retained by the Company.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower amount of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay (the amount of the guarantee).

Impairment of financial assets

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises an impairment loss based on lifetime ECLs at each reporting date. The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment. IFRS 9 adoption had no material effect on the impairment of the trade receivables and assets.

The Company considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, they breach the contract (such as a default or delinquency in interest or principal payments), there exists a probability that they will enter bankruptcy or other financial reorganisation, and in cases where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(2.3.2) Financial liabilities

Initial recognition and measurement
Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loan receivables and payables. All financial liabilities are recognised initially at fair value and, in the case of loans received and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and finance lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities classified as measured at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing them in the near term. This category also includes derivatives entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses arising from financial liabilities held for trading are recognised in the statement of comprehensive income. As at 31 December 2020 and 2019, the Company did not attribute any financial liabilities to liabilities measured at fair value through profit or loss.

Loans received and other payables
After initial recognition, loans, borrowings and other accounts payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or amortized.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognised and is intended to be settled net, i.e. to realise the assets and fulfil their obligations at the same time.

(2.4) Right-of-use assets
Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

Initial recognition and measurement

At the commencement date, the Company measures the right-of-use asset at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognizes these costs as part of the cost of right-of-use asset when the Company incurs an obligation for these costs.

Subsequent measurement

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

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

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

	Depreciation rates (years)
Vehicles	3–5 years
Premises	2–10 years

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

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

(2.5) Cash and Cash Equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash Such investments with original maturities of three months or less are subject to insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash with banks, deposits in current bank accounts and other highly liquid current investments.

(2.6) Lease liabilities

Initial measurement

At inception of a contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

Subsequent measurement

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

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

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

Remeasurement

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

Revised discount rate

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

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

Unchanged discount rate

The Company remeasures the lease liability by discounting the revised lease payments, if either:
- there is a change in the amounts expected to be payable under a residual value guarantee. The Company determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Company remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect).

The Company determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The Company uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Company uses a revised discount rate that reflects changes in the interest rate.

Lease modifications

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

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

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

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

(2.7) Provisions

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

(2.8) Income Tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated in accordance with the requirements of the tax legislation applicable in Lithuania, Latvia and Estonia, taking into account the taxable result of each country.

In 2020, the standard income tax rate applied in the Republic of Lithuania was 15% (in 2019: 15%). In 2020, the standard income tax rate applied in the Republic of Latvia and the Republic of Estonia was 20% (in 2019: 20%), which applies only to income from distributed profits or other transfer of the company’s assets to the Company’s shareholders or related parties.

In accordance with tax legislation of the Republic of Lithuania, as from 1 January 2008, taxable losses, except for losses related to transfer of securities and (or) financial instruments may be carried forward for an unlimited period. As from 1 January 2014, tax loss carry forward that is deducted cannot exceed 70% of the taxable profit of the current financial year. The losses from disposal of securities and/or derivatives can be carried forward for 5 consecutive years and only be used to reduce taxable income earned from the transactions of the same nature.

In accordance with tax legislation of the Republic of Latvia, as from 1 January 2008, taxable losses may be carried forward for an unlimited period.

Deferred taxes are measured using the balance sheet liability method. Deferred tax is recognized, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(2.9) Revenue recognition

Revenue from contracts with customers

The Company recognizes commission income at the effective date of the policy, because it then meets its performance obligations. Revenue for policies with a term of more than 2 year is recognized pro rata for the first 24 months of the effective date of the policy, after which income recognition is continued each month by recognizing another one-month income until all income is recognized.

The Company recognizes commission income from related parties at the date of issue of the sales invoice. Changes in revenue due to policy changes as well as cancellations are recognized in the period in which those changes occur.

The Company reduces revenue by the amount of cancellation provisos based on historical data, but accumulates deferred expenses related to already recognised revenue.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company completes performance obligations 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.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer pays a consideration before the Company transfers the goods or services to the customer, the contractual obligation is recognized when the payment is made or is due (whichever occurs first). Contract liability is recognised as revenue when the Company performs under the contract.

(2.10) Expense recognition

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

The amount of expenses is usually estimated by the amount of money paid or payable, excluding VAT. In cases where a long settlement period is foreseen and no interest is deducted, the cost amount is estimated by discounting the settlement amount at the market rate.

(2.11) Foreign and functional currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies on the reporting date are recognised in the statement of comprehensive income. These balances are translated using the exchange rate prevailing at the end of the reporting period.

The Company has set such functional currencies to each subsidiary: Latvia – EUR, Estonia – EUR. The functional currencies of subsidiaries are the same as functional currency of the Company, therefore, financial data is not translated.

Due to rounding of certain amounts to euros, figures in the tables may differ. Such rounding bias is immaterial in these financial statements.

(2.12) Contingencies

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

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

(2.13) Subsequent events

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

(2.14) Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to amortisation, depreciation, non-current employee benefits, valuation allowance of goodwill, client lists, allowance for receivables and contract assets and deferred tax measurement. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

Judgements that have the greatest impact on the amounts recognised in financial statements, and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment test on goodwill and customer lists

The Company's management annually tests goodwill and customer lists for impairment. The test involves economic modelling of future discounted cash flows taking into account the Company's strategy, country's economic situation, competitive forces, cost of capital and other important modelling factors when calculating discounted future benefits. If the estimated value-in-use based on the future discounted economic benefits is lower than the net book value, impairment is recognised. For more information on impairment test on goodwill and customer lists see Note 6.

Non-current assets depreciation rates

The Company's management annually reviews the depreciation rates of individual assets, taking into account the useful lives and accounting policies of the Group. The change in net book value of assets due to changed rates best reflects the estimates of the Company's management related to the use of equipment and is accounted for as an operating result at the date of the change. For more information on non-current assets depreciation rates see Notes 2.1 and 2.2.

Bad debt allowance

The Company's management performs a regular review of the status of receivables, taking into account specific circumstances and settlement delay periods. In accordance with the Company's policy regarding allowance for bad debts, the Company establishes an allowance for bad debts to reflect the estimates of the status of receivables. The change in estimate is accounted for as an operating result at the estimate date. Information on bad debt allowance is disclosed in Notes 9 and 14.

COVID 19 pandemic

The following are the accounting estimates and judgements considered by the Company's management in assessing the impact of COVID-19:

Going concern

The Company's management has assessed the possible decrease in cash flows due to late payments by customers, as well as cash flows related to the probability of bad debt growth. The assessment used all currently available information on the threats posed by COVID-19. The Company's management has not identified any significant threats to the Company's going concern when assessing the potential impact of key COVID-19 factors on the Company's results.

Impairment losses on goodwill and customer lists

The management did not identified any COVID-19 related circumstances that goodwill and customer lists may be impaired.

Impairment losses on receivables

The management did not identified any COVID-19 related circumstances that receivables may be impaired.

(2.15) Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set-off, except the cases when certain IFRS standard specifically requires such set-off. Where necessary, comparative figures were adjusted to correspond to the presentation of the current year.

(2.16) Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Fair value is defined as the amount for which an instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction, other than in a forced sale or liquidation. Fair value is supported by quoted market prices, discounted cash flow models and options pricing models depending on the circumstances.

When evaluating financial assets and liabilities at fair value, the following assumptions are applied:

The carrying amount of current trade receivables, receivables from related parties and other receivables, intangible assets and property plant and equipment, financial assets and other non-current assets, short-term trade debts, related party and other debts in as at 31 December 2020 and 2019 approximate their fair value, which was determined based on the third level of the fair value hierarchy.

(2.17) Principles of consolidation

Subsidiaries are all investees over which the Company has:
- power over the investee (i.e. has existing rights that give it the ability to direct the relevant activities);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company. Intercompany transactions, balances and unrealized gains (losses) on transactions between group companies are eliminated.

Combination of entities under common control and application of the pooling of interest method

A combination of entities under common control is a transaction when the controlling parties before and after a business combination are the same and the control is not transitory. IFRS 3, Business Combinations, is not applied to business combinations between entities under common control, therefore, such business combinations are accounted for using the pooling of interest.

Under the pooling of interest method of accounting, the assets and liabilities of the combined entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. No "new" goodwill is recognised as result of combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred or investment cost and the value of the net assets of the acquiree is recognized in equity.

The financial data of the combined entity is included in these financial statements prospectively from the date of the merger.

(2.18) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at fair value. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquirer's equity interest previously held in the acquiree is measured at fair value at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration

which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.
Goodwill is initially measured at cost being the excess of the aggregate of the consideration (measured at fair value) transferred and the amount recognised for non-controlling interest over the net identifiable assets (measured at fair value) acquired and liabilities (measured at fair value) assumed.
If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, assigned to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(2.19) Other assets (excluding goodwill)
Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

NOTE 3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. Risk management is carried out by the Company's management.

Credit Risk
Customer risk is managed by each geographical area in accordance with the Company's policies, procedures, and internal controls related to customer credit risk management. The Company divides receivables into (a) receivables that expose the Company to risk and (b) receivables that expose the insurers to risk. Customer credit risk management depends on the following group of receivables:

(a) The Company is exposed to credit risk on commissions receivable from insurers. Insurers are licensed companies that are supervised on regular basis by the Bank of Lithuania and must maintain a sufficient level of capital to meet all existing liabilities. Since the Company collects commission income from licensed insurers, the Company's management has deemed this risk as low and considers the current supervision of the Bank of Lithuania to be a sufficient risk management tool. Consequently, the Company has not established credit limits or insured these receivables.

(b) In normal conditions, the Company is not exposed to credit risk due to insurance premiums collectible from customers and insurance indemnities payable to customers. In the event of non-collection of premiums from customers, the insurer waives collection rights against the Company under the signed cooperation agreements. In the event of non-collection of customer indemnities from insurers, the customers can only legally pursue the insurers. Since the Company does not bear this risk, no credit limits are established or receivables insured. In exceptional cases, when the Company incurs premium collection credit risk, the Company manages risk by limiting the amounts of allowed turnovers and regular monitoring of premium collection.

There is no material credit risk concentration in the Company, as main trade receivables are from regulated financial institutions – insurance companies, distributed among three geographical areas (Lithuania, Latvia, Estonia). The Company collaborates with numerous insurance companies, therefore dos not depend on liquidity of a sole partner.

Interest rate risk
As at 31 December 2020 and 2019, the Company did not have any financial instruments the value of which would be directly influenced by changing interest rates, therefore, the Company is not directly exposed to interest risk.

Foreign exchange risk
The Company earns income and incurs expenses in euros and other foreign currencies (mainly in US dollars). The fact that income are earned and expenses are incurred in the same currency also reduces the amount of foreign currency risk.

Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents. Customer's premiums and indemnities are kept separately from the Company's working capital in specific bank accounts to ensure clear and transparent forecasting of the Company's cash flows. The Company also accumulates surplus cash, which is held at Aon Group cumulative reserve (BMG cash pool). If needed, these surplus cash can be transferred back to the Company in a few days.

The Company's liquidity and quick ratios were equal to 1.50 as at 31 December 2020 (as at 31 December 2019 – 1.11).

LIQUIDITY RATIOS	31 December 2020	31 December 2019
Current liquidity ratio	1.50	1.11
Quick Ratio	1.50	1.11

The Company's minimum equity is prescribed by the Bank of Lithuania. The Company's equity substantially exceeds the prescribed minimum level of equity required for insurance intermediaries, which is determined as the higher of (a) 4% from collected customer insurance premiums through dedicated Company's bank accounts, or (b) EUR 19,510. The table below compares the Company's equity with minimum equity threshold.

	31 December 2020	31 December 2019
Present equity	**10,433,003**	**7,832,436**
Received insurance premiums, payable to insurers:	**80,123,697**	**81,478,346**
1st quarter	19,980,462	20,438,077
2nd quarter	18,019,054	19,453,497
3rd quarter	22,026,101	21,881,428
4th quarter	20,098,080	19,705,344
Mandatory minimum equity: max {(Insurance premiums received)x0.04; 19,510 EUR}	**3,204,948**	**3,259,134**

NOTE 4. COST OF SALES

	2020	2019 (restated)*
Employee related expenses	8,290,988	7,597,655
Commissions to agents	1,917,214	1,498,363
Total cost of sales	**10,208,202**	**9,096,018**

** Information on restatements due to errors is presented in Note 23.*

NOTE 5. RESULTS OF FINANCING AND INVESTING ACTIVITIES

	2020	2019
Foreign currency exchange gain	14,081	-
Bank interest	3,613	2,954
Income from financing and investing activities	**17,694**	**2,954**
Interest and discount expense on lease liabilities	52,791	66,185
Interest on loans	7,229	4,796
Fines and default interest for overdue payments	-	1,107
Foreign currency exchange loss	-	21,867
Expenses of financing and investing activities	**60,020**	**93,955**

NOTE 6. INTANGIBLE ASSETS

	Goodwill	Software	Customer lists	Other intangible assets	Total
Acquisition cost					
31 December 2018	4,431,741	650,404	1,822,222	3,497	6,907,864
Additions	-	7,170	-	-	7,170
Disposals and write-offs (-)	-	(8,292)	(687)	-	(8,979)
31 December 2019	**4,431,741**	**649,282**	**1,821,535**	**3,497**	**6,906,055**
Amortisation					
31 December 2018	-	91,618	417,444	3,005	512,067
Amortisation for the reporting period	-	50,439	251,373	295	302,107
Amortisation of disposals and write-offs (-)	-	(7,652)	(687)	-	(8,339)
31 December 2019	**-**	**134,405**	**668,130**	**3,300**	**805,835**
Impairment					
31 December 2018	29,961	308,710	-	-	338,671
31 December 2019	**29,961**	**308,710**	**-**	**-**	**338,671**
Acquisition cost					
31 December 2019	4,431,741	649,282	1,821,535	3,497	6,906,055
Acquisition and manufacture of assets	-	18,832	-	-	18,832
Disposals and write-offs (-)	-	(82,492)	-	-	(82,492)
31 December 2020	**4,431,741**	**585,622**	**1,821,535**	**3,497**	**6,842,395**
Amortisation					
31 December 2019	-	134,405	668,130	3,300	805,835
Amortisation for the reporting period	-	51,255	230,714	197	282,166
Amortisation of disposals and write-offs (-)	-	(81,203)	-	-	(81,203)
31 December 2020	**-**	**104,457**	**898,844**	**3,497**	**1,006,798**
Impairment					
31 December 2019	29,961	308,710	-	-	338,671
Impairment for the year	61,353	-	-	-	61,353
31 December 2020	**91,314**	**308,710**	**-**	**-**	**400,024**
Net book value at 31 December 2019	**4,401,780**	**206,167**	**1,153,405**	**197**	**5,761,549**
Net book value at 31 December 2020	**4,340,427**	**172,455**	**922,691**	**-**	**5,435,573**

For the purpose of the statement of comprehensive income, amortisation expenses of intangible assets are included in operating expenses.

As at 31 December 2020, the recoverable value of goodwill related to activity in Lithuania (EUR 4,261 thousand) and Latvia (EUR 80 thousand), as well as the recoverable value of customer lists have been determined based on future cash flow projections, evaluated in accordance with five-year financial projections for both goodwill and client lists. The main factors that affected the financial forecasts were the Company's strategy, profitability margin, and the forecasted situation in the respective industry. Estimated cash flows were discounted using 6.96% discount rate (pre-tax) and cash flows for goodwill have been estimated applying a constant growth rate of 1% to the Company's activities in Lithuania and a fall rate of 8% to the Company's activities in Latvia, taking into account the current situation of the industry concerned (as at 31 December 2019: growth rates of 6% and 1–1.5%, respectively).

Based on the above valuations, EUR 61 thousand of impairment loss on goodwill related to the Company's activities in Latvia was recognised in 2020. The Company did not recognise any impairment of goodwill or customer lists in 2019. As at 31 December 2020 and 2019, the recoverable value of goodwill and customer lists mainly depends on discount rate used in discounted cash flow model, estimated future cash flows, growth and profit margin estimates (%).

Following the sensitivity test of recoverable value using 9% discount rate (pre-tax), no risk of significant impairment of goodwill or customer lists was identified.

Management believes that there are no other reasonably foreseeable changes in key assumptions that could cause the carrying amount of goodwill and customer list to exceed its recoverable amount.

Fully amortised intangible assets which are still in use

Acquisition cost of fully amortised intangible assets which are still in use by classes:

	31 December 2020	31 December 2019
Software	3,475	79,628
Customer lists	206,535	2,363
Other intangible assets	3,497	2,317
Total acquisition cost	**213,507**	**84,308**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ements	Furniture and fittings	Vehicles	Office equipment	Telecommunic ation, IT and computer equipment	Total
Acquisition cost						
As at 31 December 2018	128,020	274,010	14,943	16,165	343,153	776,290
Additions	178,205	25,606	41,650	4,787	125,996	376,244
Disposals and write-offs (-)	-	(139,445)	-	(13,258)	(88,584)	(241,287)
31 December 2019	**306,225**	**160,171**	**56,593**	**7,694**	**380,565**	**911,247**
Depreciation						
31 December 2018	106,893	172,796	14,943	14,369	237,473	546,474
Depreciation for the reporting period	25,915	12,377	5,206	768	45,109	89,375
Depreciation of disposals and write-offs (-)	-	(79,040)	-	(11,858)	(59,345)	(150,243)
31 December 2019	**132,808**	**106,133**	**20,149**	**3,280**	**223,237**	**485,606**
Acquisition cost						
31 December 2019	306,225	160,171	56,593	7,694	380,565	911,247
Additions	59,924	36,270	-	1,468	19,336	116,998
Disposals and write-offs (-)	(55,404)	(91,731)	(14,944)	(13,229)	(85,527)	(260,835)
Reclassified from/to +/(-)	-	-	-	65,579	(65,579)	-
31 December 2020	**310,745**	**104,710**	**41,649**	**61,512**	**248,795**	**767,410**
Depreciation						
31 December 2019	132,808	106,133	20,149	3,280	223,237	485,606
Depreciation for the reporting period	49,977	10,571	10,413	14,982	39,057	125,000
Depreciation of disposals and write-offs (-)	(52,311)	(83,049)	(14,944)	(12,301)	(85,527)	(248,132)
Reclassified from/to +/(-)	-	-	-	9,635	(9,635)	-
31 December 2020	**130,474**	**33,655**	**15,618**	**15,596**	**167,132**	**362,474**
Net book value at 31 December 2019	**173,417**	**54,038**	**36,444**	**4,414**	**157,328**	**425,641**
Net book value at 31 December 2020	**180,271**	**71,055**	**26,031**	**45,917**	**81,664**	**404,938**

For the purpose of the statement of comprehensive income, depreciation of property, plant and equipment is disclosed in the operating costs or other activity costs, depending on the usage of the asset.

Fully depreciated property, plant and equipment which is still in use

Acquisition cost of fully depreciated property, plant and equipment which is still in use by classes:

	As at 31 December 2020	As at 31 December 2019
Furniture and fittings	15,529	75,626
Leasehold improvements	72,616	72,616
Vehicles	-	14,944
Office equipment	-	2,905
Telecommunication, IT and computer equipment	77,214	138,146
Total acquisition cost	**165,359**	**304,237**

NOTE 8. RIGHT-OF-USE ASSETS

	Buildings	Vehicles	Total
Net book value as at 1 January 2019			
Additions:			
Whereof: recognised as right-of-use asset	689,422	515,552	1,204,974
Whereof: lease contracts signed	1,002,588	123,180	1,125,768
Depreciation	(391,433)	(235,522)	(626,955)
Net book value as at 31 December 2019	**1,300,577**	**403,210**	**1,703,787**
Acquisition cost			
As at 31 December 2019	1,692,010	638,732	2,330,742
Additions	345,342	158,853	504,195
Disposals and write-offs (-)	(131,515)	(152,810)	(284,325)
Change in interest rate and effect of CPI	47,251	-	47,251
Write-off of prematurely terminated contracts	-	(12,088)	(12,088)
As at 31 December 2020	**1,953,088**	**632,687**	**2,585,775**
Accumulated depreciation			
As at 31 December 2019	391,433	235,522	626,955
Depreciation for the reporting period	394,664	227,033	621,697
Disposals and write-offs (-)	(131,515)	(152,810)	(284,325)
As at 31 December 2020	**654,582**	**309,745**	**964,327**
Net book value as at 31 December 2019	**1,300,577**	**403,210**	**1,703,787**
Net book value as at 31 December 2020	**1,298,506**	**322,942**	**1,621,448**

For the purpose of the statement of comprehensive income, depreciation of right-of-use assets is disclosed in operating expenses.

The following are the Company's lease expenses accounted for in operating expenses:

	2020	2019
Depreciation	621,697	626,955
Interest charges	52,791	66,185
Lease expenses, total	**674,488**	**693,140**

NOTE 9. CURRENT RECEIVABLES

	As at 31 December 2020	As at 31 December 2019
Commissions and service fee receivable	6,584	21,951
Trade receivables	**6,584**	**21,951**
Commissions and service fee receivable	95,999	564,692
Allowance for commissions and service fee receivable	(15,226)	(38,937)
Receivables from insurance companies	**80,773**	**525,755**
Commissions and service fee receivable	123,232	282,765
Insurance premiums and claim payments receivable	27,873	27,454
Other receivables	-	16,763
Accrued commissions and service fee	45,951	6,198
Allowance for commissions and service fee receivable	(31,943)	-
Receivables from related parties	**165,113**	**333,180**
Receivables from employees	25,357	261
Insurance premiums and claim payments receivable	75,989	212,003
Contract assets	6,291,632	5,654,864
Other receivables	17,464	68,354
Other receivables	**6,410,442**	**5,935,482**
Total current receivables	**6,662,912**	**6,816,368**

Contract assets are assets recognized for services rendered before the end of the year for which an invoice has not yet been issued, but the Company has fulfilled all operating obligations and has the right to recognize revenue. When invoices are issued, which reflects an absolute right to payment, the contract assets are transferred to receivables from insurance companies. The change in the allowance for doubtful receivables is included in operating expenses (Note 14).

	Receivables not past due	Receivables past due but not impaired					
		Less than 30 days	30–60 days	60–180 days	180–360 days	More than 360 days	Total
Trade receivables							
As at 31 December 2019	9,450	4,662	-	-	-	7,839	21,951
As at 31 December 2020	5,039	-	-	1,545	-	-	6,584
Receivables from insurance companies							
As at 31 December 2019	83,593	215,089	160,050	-	48,984	18,039	525,755
As at 31 December 2020	28,529	37,558	3,387	58	-	11,241	80,773
Receivables from related parties							
As at 31 December 2019	50,334	127,734	35,562	9,097	102,433	8,020	333,180
As at 31 December 2020	39,812	86,483	12,000	5,593	19,643	1,582	165,113
Other receivables							
As at 31 December 2019	5,895,147	21,090	4,192	14,109	944	-	5,935,482
As at 31 December 2020	6,410,442	-	-	-	-	-	6,410,442

NOTE 10. CASH AND CASH EQUIVALENTS

The Company classifies cash and cash equivalents into its own funds and customers’ funds. Own funds are the Company’s funds that have been earned during the normal course of business and the Company can freely manage and use it for own needs. In accordance with the Law on Insurance of the Republic of Lithuania, customers’ funds are accumulated and managed in dedicated special bank accounts. The Company manages customers’ funds as a trustee for the purpose of transferring them to the final beneficiary, therefore it cannot use these funds for its own needs or working capital requirements. In the event of the Company’s bankruptcy, these funds would be transferred to the final beneficiaries and would not be processed in the bankruptcy proceedings.

	As at 31 December 2020	As at 31 December 2019
Cash at bank	406,368	924,298
Cash at the Group's cash pool account (BMG)	2,649,978	,485,824
Total operating cash	**3,056,346**	**1,410,122**
Cash at fiduciary bank account	2,673,275	2,503,922
Total fiduciary cash	**2,673,275**	**2,503,922**
Total cash and cash equivalents	**5,729,621**	**3,914,044**

As at 31 December 2020 and 2019, the Company had no own cash and cash equivalents with restricted use.

NOTE 11. RESERVES

Legal reserve

The legal reserve is formed from profit to be appropriated at the end of the financial year under the Lithuanian Law on Companies. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve may be used only to cover the Company's accumulated losses. A part of the legal reserve in excess of 10% of the issued capital may be redistributed when appropriation of profit for the following financial year is performed. Legal reserve of the Company was fully formed as at 31 December 2020 and 2019.

NOTE 12. PROPOSED PROFIT DISTRIBUTION

Retained earnings (deficit) of prior years as at 31 December 2019	6,883,788
Current year net profit (loss)	2,600,567
Profit (loss) to be distributed as at 31 December 2020	9,484,355
Profit distribution:	(2,900,000)
- dividends	(2,900,000)
Profit (loss) to be carried forward as at 31 December 2020	**6,584,355**

NOTE 13. COMPANY'S LIABILITIES BY GROUP AND MATURITY

The following table summarizes the maturity profile of liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments:

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Lease liabilities (including interest)	-	152,628	434,798	1,152,291	-	1 739 717
Borrowings	**-**	**152,628**	**434,798**	**1,152,291**	**-**	**1,739,717**
Liabilities to insurance companies (premium collected)	2,081,379	-	-	-	-	2,081,379
Trade payables	-	233,877	-	-	-	233,877
Payables to related parties	2,655	-	6,352	-	-	9,007
Employment-related liabilities	230,199	807,977	606,598	-	-	1,644,774
Accrued expenses	13,493	800,391	-	-	-	813,884
Accrued claim handling expenses	-	-	335,313	-	-	335,313
Other payables	78,737	1,067,766	850,632	-	-	1,997,135
Payables	**2,406,463**	**2,910,011**	**1,798,895**	**-**	**-**	**7,115,369**
Provision for pensions and similar liabilities	-	-	12,088	55,963	-	68,051
Provisions	**-**	**-**	**12,088**	**55,963**	**-**	**68,051**
Contract liabilities	783,114	-	-	-	-	783,114
Income tax liabilities	33,864	-	-	-	-	33,864
Deferred tax liability	-	-	-	101,912	-	101,912
Other liabilities	**816,978**	**-**	**-**	**101,912**	**-**	**918,890**
Liabilities as at 31 December 2020	**3,223,441**	**3,062,639**	**2,245,781**	**1,310,166**	**-**	**9,842,027**

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Lease liabilities (including interest)	-	161,661	427,250	1,274,728	-	1,863,639
Borrowings	**-**	**161,661**	**427,250**	**1,274,728**	**-**	**1,863,639**
Liabilities to insurance companies (premium collected)	564,661	-	431,041	-	-	995,702
Trade payables	212,893	96,309	343,153	-	-	652,355
Payables to related parties	98,168	17,633	271,617	-	-	387,418
Employment-related liabilities	189,045	185,599	1,100,779	-	-	1,475,423
Accrued expenses	232,993	2,160	352,271	-	-	587,424
Accrued claim handling expenses	-	-	239,242	-	-	239,242
Other payables	-	1,462,512	1,792,354	-	-	3,254,866
Payables	**1,297,760**	**1,764,213**	**4,530,457**	**-**	**-**	**7,592,430**
Provision for pensions and similar liabilities	-	-	10,482	45,341	-	55,823
Other provisions	-	-	2,500,000	-	-	2,500,000
Provisions	**-**	**-**	**2,510,482**	**45,341**	**-**	**2,555,823**
Contract liabilities	-	-	41,207	-	-	41,207
Income tax liabilities	30,137	10,052	-	-	-	40,189
Deferred tax liability	-	-	-	37,003	-	37,003
Other liabilities	**30,137**	**10,052**	**41,207**	**37,003**	**-**	**118,399**
Liabilities as at 31 December 2019	**1,327,897**	**1,935,926**	**7,509,396**	**1,357,072**	**-**	**12,130,291**

As at 31 December 2020, EUR 0.9 million overdraft at Bank Mendes Gans N.V. bank account was included in other payables (as at 31 December 2019: 1.5 million).

NOTE 14. OPERATING EXPENSES

	2020	2019 (restated)*
Advertising expenses	393,113	370,751
Marketing expenses	315,348	314,600
Financial support and charity	36,467	39,290
Sales and distribution expenses	**744,928**	**724,641**
Corporate and infrastructure fees	2,090,439	2,583,572
Salaries and social security	1,282,237	1,582,203
Depreciation, amortisation	1,028,862	1,018,436
IT system maintenance expenses	559,045	747,456
Consulting and legal services	512,350	774,472
Expenses of non-deductible VAT	354,114	571,527
Repair and operation costs	322,047	457,415
Other employee-related expenses	299,899	408,615
Communication expenses	139,484	144,985
Lease	87,004	91,856
Bank fees	64,210	123,120
Impairment of goodwill	61,353	-
Accrued claim handling expenses	53,553	194,074
Expenses of stationary and office equipment	51,748	105,690
Client entertainment expenses	39,004	363,574
Insurance	36,638	35,339
Audit services	33,617	33,617
Office expenses	25,128	140,399
Business trip expenses	15,262	161,952
Non-current assets write-offs	13,722	91,556
Allowance for impairment (reversal) of receivables	8,232	29,527
Taxes (other than income tax)	2,000	8,559
Write-off of bad debts (reversal)	(4,452)	36,422
Other	(11,409)	10,640
Administrative expenses	**7,064,087**	**9,715,006**
Total operating expenses	**7,809,015**	**10,439,647**

** Information on restatements due to errors is presented in Note 23.*

NOTE 15. OTHER ACTIVITIES

	2020	2019
Liquidation of subsidiary	179,290	-
Other income from third parties	19,372	31,039
Other income from related parties	-	13,768
Gain on disposal of non-currents assets	183	766
Other activity income	**198,845**	**45,573**
Cost of service to related parties (other)	-	12,464
Penalties	12,606	3,455
Other activity expenses	**12,606**	**15,919**
Other activity results	**186,239**	**29,654**

Gain on liquidation of the subsidiary resulted from the difference between the funds held at the time of liquidation in the bank accounts of the subsidiary, which were transferred to the Estonian branch, and the write-off of the investment in the subsidiary.

NOTE 16. CURRENT AND DEFERRED INCOME TAX

Income tax

	2020	2019
Current income tax	310,173	280,887
Deferred income tax expenses (benefit)	64,909	(34,653)
Total income tax expense	**375,082**	**246,234**

The amount of income tax expenses can be reconciled with the amount of income tax expenses calculated applying statutory income tax rate to the Company's pre-tax income as follows:

	2020	2019
Profit before tax	2,975,649	41,014
Income tax rate	15%	15%
Income tax expenses from profit before tax	**446,347**	**6,152**
Effect of different taxation applicable for permanent establishments	(73,530)	127,743
Permanent differences	2,265	112,339
Total income tax expense	**375,082**	**246,234**

Deferred income tax

Deferred income tax in Lithuania in 2020 and 2019 was calculated for temporary differences by applying 15% tax rate. Both in Latvia and Estonia, deferred income tax is not calculated as income tax point is on distribution of profit, not based on the accrual principle.

Deferred income tax calculation is stated in the table below:

	As at 31 December 2020		As at 31 December 2019	
	Temporary differences	Deferred income tax	Temporary differences	Deferred income tax
Differences of depreciation terms	176,393	26,459	204,909	30,736
Right-of-use assets	(1,181,545)	(177,232)	(1,236,381)	(185,457)
Goodwill	(558,036)	(83,705)	(230,197)	(34,530)
Customer lists	(918,857)	(137,829)	(1,148,571)	(172,286)
Provision for bad debts	37,133	5,570	31,133	4,670
Vacation reserve	-	-	297,901	44,685
Accrued claim handling expenses	77,960	11,694	239,242	35,886
Provision for policy cancellations	305,652	45,848	281,760	42,264
Lease liabilities	1,202,680	180,402	1,257,694	188,654
Other provisions	111,155	16,673	-	-
Pension reserve	68,051	10,208	55,823	8,374
	(679,414)	**(101,912)**	**(246,687)**	**(37,003)**

Movement of deferred income tax is stated in the table below:

	As at 31 December 2020	As at 31 December 2019
Deferred tax asset (liability) at the beginning of the period, net	(37,003)	(71,656)
Changes in deferred income tax	(64,909)	34,653
Deferred tax asset (liability) at the end of the period, net	**(101,912)**	**(37,003)**

NOTE 17. NON-CURRENT EMPLOYEE BENEFIT LIABILITIES

Non-current employee benefits are pension benefits calculated in accordance with the provisions of the Labour Code. Under the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary.

	As at 31 December 2020	As at 31 December 2019
Non-current portion of retirement benefits	55,963	45,341
Current portion of retirement benefits	12,088	10,482
Total	**68,051**	**55,823**
Key assumptions		
Discount rate	1.85%	1.87%
Planned annual salary increase	3.00%	3.00%

NOTE 18. LEASE LIABILITIES

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

	As at 31 December 2020	As at 31 December 2019
Opening book value at the beginning of the year	1,736,211	-
Recognition of lease liabilities under IFRS 16 (first-time adoption on 1 January 2019)	-	1,204,974
Lease contracts concluded	504,195	1,125,768
Interest charges	52,791	66,185
Lease payments (principal portion and interest)	(675,057)	(660,716)
Change in interest rate and effect of CPI	47,251	-
Effect of prematurely terminated contracts	(152,810)	-
Carrying amount at 31 December	**1,512,581**	**1,736,211**
Non-current lease liabilities	964,123	1,197,662
Current lease liabilities	548,458	538,549

	As at 31 December 2020	As at 31 December 2019
Minimum payments		
Within one year	587,424	588,910
Two to five years	1,152,289	1,274,726
After 5 years	-	-
Total	**1,739,713**	**1,863,636**
Future finance costs		
Within one year	(38,966)	(50,362)
Two to five years	(47,444)	(77,063)
After 5 years	-	-
Total	**(86,410)**	**(127,425)**
Carrying amount	**1,653,303**	**1,736,211**

NOTE 19. CONTINGENT LIABILITIES AND ASSETS

The Tax Authorities may at any time during 3–5 successive years after the end of the reporting year (depending on the type of tax) inspect the Company's books and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect. Therefore, the Company did not account any provisions as at 31 December 2020 and 2019.

The Company has entered into non-compete agreements with its employees, on the basis of which, at its own discretion, the Company may exercise the right to restrict the employee's choice of work and activities for one year employment contract termination, compensating the employee accordingly.

NOTE 20. RELATED PARTIES

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. In 2020 and 2019, the Company's related parties and transactions with them (all related parties listed below are joint ventures) were the following:

	As at 31 December 2020				As at 31 December 2019			
	Sales (reversals)	Purchases (reversals)	Receivables from related parties	Payables to related parties	Sales (reversals)	Purchases (reversals)	Receivables from related parties	Payables to related parties
Ultimate parent Aon Plc.	-	-	-	-	-	-	-	-
Other related parties	847,295	2,485,424	197,056	9,007	2,121,505	3,179,617	333,180	387,418
	847,295	**2,485,424**	**197,056***	**9,007**	**2,121,505**	**3,179,617**	**333,180**	**387,418**

Transactions with related parties include ordinary acquisition of goods and services related to operations. There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

* Receivables from related parties are disclosed in this note before impairment allowance.

Remuneration of the Company's management and other payments

The management of the Company consists of director, head of finance, managers of branches in Latvia and Estonia. In 2020 and 2019, the management of the Company did not receive any loans or guarantees

	Remuneration for the year		Closing balance	
	2020	2019	2020	2019
Management remuneration during the year	519,811	489,442	125,069	127,879
Average number of management	4	4		

The closing balance consists of accrued salary payable and annual bonuses to the management.

NOTE 21. DEFERRED EXPENSES

	As at 31 December 2020	As at 31 December 2019
Deferred IT maintenance expenses	230,566	420,548
Other	57,740	310,183
Deferred marketing expenses	-	368,992
Total	**288,306**	**1,099,723**

NOTE 22. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

At the date of preparation of the financial statements, the Company's management prepared proposed profit distribution for financial year 2020, which is disclosed in Note 12 to these financial statements.

NOTE 23. RESTATEMENT OF COMPARATIVE INFORMATION

In preparing these financial statements, the Company carried out an in-depth analysis of the administrative staff register, which resulted in an adjustment of the list of employees assigned to the administration, the costs of which are attributable to operating expenses, rather than to the cost of sales. This amendment also affects the previous accounting period and therefore the reclassification is reflected in the comparative financial information for 2019.

This restatement did not affect the statement of financial position, statement of changes in equity and statement of cash flows for 2019.

	As at 31 December 2019 (as previously presented)	Restatement of presentation	As at 31 December 2019 (restated)
REVENUE FROM CONTRACTS WITH CUSTOMERS	19,638,026	-	19,638,026
COST OF SALES (-)	(9,041,580)	(54,438)	(9,096,018)
GROSS PROFIT	**10,596,446**	**(54,438)**	**10,542,008**
OPERATING EXPENSES (-)	(10,494,085)	54,438	(10,439,647)
OTHER ACTIVITIES	29,654	-	29,654
OPERATING PROFIT	**132,015**	**-**	**132,015**
FINANCING AND INVESTING ACTIVITIES	(91,001)	-	(91,001)
PROFIT BEFORE TAX	**41,014**	**-**	**41,014**
Income tax (-)	(246,234)	-	(246,234)
NET PROFIT	**(205,220)**	**-**	**(205,220)**
NET COMPREHENSIVE INCOME	**(205,220)**	**-**	**(205,220)**

Sidevahendid

Liik	Sisu
Telefon	**+372 6996222**
Faks	**+372 6996223**
E-posti aadress	**aoninfo@aon.ee**
Veebilehe aadress	**www.aon.ee**