Aon Baltic UADBB

COMPANY'S FINANCIAL STATEMENTS, FOR THE YEAR ENDED 31 DECEMBER 2019,

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ADOPTED BY THE EUROPEAN UNION,

PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

AND ANNUAL REPORT

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UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 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
Subačiaus St. 7
LT-01302 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 shareholders 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 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit* of the financial statements section of our report. We are independent of the Company in accordance with the International 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 2019, 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 2019 corresponds to the financial statements for the same financial year and if the Company's Annual Report for 2019 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 2019 corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report for 2019 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.

Building a better working world

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

25 May 2020

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 2019 and 2018, 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 General Manager and Rasa Norkūnė is the Head of Finance.

The Company operates in three Baltic States: Lithuania, Latvia and Estonia. In Latvia and Estonia, the Company conducts insurance brokerage activities through its branches UADBB Aon Baltic Latvijas filiale and UADBB Aon Baltic Eesti filiaal. 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 2019, the Company owned 100% of ordinary intangible shares of subsidiary Riskikonsultatsioonide OÜ in Estonia in the nominal amount of EUR 2,556 and 100% of ordinary intangible shares of subsidiary One Underwriting UAB in the nominal amount of EUR 3,000.

As at 31 December 2019, the Company had 185 employees in Lithuania (excluding employees which are on maternity leave) (as at 31 December 2018 – 177), there were 44 employees in the branches of Latvia and Estonia as at 31 December 2019 (47 employees as at 31 December 2018).

In 2019, the revenues of the Company amounted to EUR 19,638,026 (EUR 13,018,819 in 2018) and the net loss for the year 2019 amounted to EUR 205,220 (net profit in 2018 – EUR 710,129).

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

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

OVERVIEW OF THE COMPANY 'S ANNUAL ACTIVITIES

In 2019, the total growth of the Lithuanian insurance market was 7.7%, i.e. 3.1 percentage points slower than in 2018, when the market grew by 10.8%. The slower growth was due to a less rapid increase in premiums in the non-life insurance market. In 2019, non-life insurance premiums grew by 7.2%, but the growth rate of insurance premiums was 5.0 percentage points less than a year ago. Premiums for all major types of non-life insurance grew, with health and property insurance premiums growing the fastest. The life insurance market was relatively strong: insurance premiums grew by 8.9% over the period, which is 1.6 percentage points higher than in 2018.

According to the Bank of Lithuania, the sales revenue of insurance brokerage companies during 2019 grew by 18.3% and amounted to EUR 57 million. In terms of sales revenue, Aon Baltic UADBB is the market leader among insurance brokerage companies, whose revenue accounts for 35% 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

According to the forecast of the Bank of Lithuania, Lithuanian insurance market will grow by 5–7% in 2020. Life and non-life insurance markets are expected to grow steadily. 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

The Company assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in the Republic of Lithuanian on 16 March 2020, on the financial statements, including going concern assumption. It is difficult for management to predict the impact of the announced quarantine on the Company's financial results and its duration, but the Company generates strong free cash flows and has sufficient liquidity reserves, as well as the Group's support to continue its operations successfully.

In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore it's potential impact was not considered when making estimates and assumptions about the impairment of receivables and other assets as at 31 December 2019, however, this matter might have a significant impact on these estimates in the next financial period. At present, management is not yet able to reasonably quantify the extent of potential changes in estimates in 2020 due to great level of uncertainty associated with further development of COVID-19 pandemic situation and the possible overall negative economic effect of this event.

Žilvinas Petrauskas
General Manager

	Note	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS		**19,638,026**	**13,018,819**
Commission received from insurance companies		17,165,892	10,664,708
Commission received from customers		321,551	287,318
Other main activity revenues		2,150,583	2,066,793
COST OF SALES (-)	**4**	**(9,041,580)**	**(6,231,707)**
GROSS PROFIT		**10, 596,446**	**6,787,112**
OPERATING EXPENSES (-)	**14**	**(10,494,085)**	**(5,991,503)**
Sales and distribution expenses (-)		(724,641)	(393,886)
Administrative expenses (-)		(9,769,444)	(5,597,617)
OTHER ACTIVITIES	**15**	**29,654**	**4,798**
Other income		45,573	55,196
Other expenses (-)		(15,919)	(50,398)
OPERATING PROFIT		**132,015**	**800,407**
FINANCING AND INVESTING ACTIVITIES		**(91,001)**	**128**
Finance income	5	2,954	4,951
Finance expenses	5	(93,955)	(4,823)
OPERATING PROFIT BEFORE TAX		**41,014**	**800,535**
Income tax (-)	16	(246,234)	(90,406)
OPERATING PROFIT		**(205,220)**	**710,129**
TOTAL OTHER COMPREHENSIVE INCOME		-	-
NET COMPREHENSIVE INCOME		**(205,220)**	**710,129**

General Manager		25/05/2020	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		25/05/2020	Rasa Norkūnė
	(signature)	(date)	(name, surname)

Aon Baltic UADBB
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are in EUR unless otherwise stated)

	Note	As at 31 December 2019	As at 31 December 2018
NON-CURRENT ASSETS		7,908,538	6,343,229
INTANGIBLE ASSETS	6	5,761,549	6,057,126
Goodwill		4,401,780	4,401,780
Software		206,167	250,076
Client lists		1,153,405	1,404,778
Other intangible assets		197	492
PROPERTY, PLANT AND EQUIPMENT		425,641	229,816
Leasehold improvements	7	173,417	21,127
Furniture and fittings	7	54,038	101,214
Vehicles	7	36,444	-
Office equipment	7	4,414	1,796
Telecommunication, IT and computer equipment	7	157,328	105,679
RIGHT-OF-USE ASSETS	8	1,703,787	-
Right-of-use assets		1,703,787	-
FINANCIAL ASSETS		17,561	56,287
Investments in subsidiaries	1	5,556	5,556
Other financial assets		12,005	50,731
CURRENT ASSETS		11,926,761	13,189,958
INVENTORIES AND PREPAYMENTS		82,072	71,089
Prepayments		82,072	71,089
CURRENT RECEIVABLES		6,816,368	8,228,643
Trade receivables	9	21,951	4,982
Receivables from insurance companies	9	525,755	3,232,651
Receivables from related parties	9, 21	333,180	1,029,304
Other receivables	9	5,935,482	3,961,706
OTHER CURRENT ASSETS		1,114,277	1,075,035
Deferred expenses	22	1,099,723	1,074,798
Prepaid income tax		-	-
Other current assets		14,554	237
CASH AND CASH EQUIVALENTS	10	3,914,044	3,815,191
Cash in fiduciary accounts in bank		2,503,922	2,429,343
Cash in other credit institutions		1,410,122	1,385,848
TOTAL ASSETS		19,835,299	19,533,187

Aon Baltic UADBB
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are in EUR unless otherwise stated)

	Note	As at 31 December 2019	As at 31 December 2018
EQUITY		7,832,436	8,037,656
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	6,883,788	7,089,008
Profit for the year		(205,220)	710,129
Previous year profit		7,089,008	6 378 879
LIABILITIES		12,002,863	11,495,531
NON-CURRENT LIABILITIES		1,280,006	2,949,410
Borrowings		1,197,662	-
Lease liabilities	13, 18	1,197,662	-
Non-current provisions		45,341	2,877,754
Provision for pensions and similar liabilities	13, 17	45,341	27,754
Other provisions		-	2,850,000
Other non-current liabilities		37,003	71,656
Deferred income tax liability	16	37,003	71,656
CURRENT LIABILITIES		10,722,857	8,546,121
Short-term borrowings	13, 18	538,549	230,000
Current portion of finance lease liabilities		538,549	-
Other borrowings		-	230,000
Current payables		7,592,430	7,472,519
Liabilities to insurance companies (premiums collected)	13	995,702	839,229
Trade payables	13	652,355	761,612
Payables to related parties	13, 21	387,418	497,258
Employees related liabilities	13	1,475,423	1,461,481
Accrued expenses	13	826,666	529,443
Other payables	13	3,254,866	3,383,496
Current provisions		2,510,482	263,614
Provision for pensions and similar liabilities	13, 17	10,482	5,286
Other provisions	13	2,500,000	258,328
Other current liabilities		81,396	579,988
Contract liabilities	13	41,207	102,948
Income tax payable	13	40,189	477,040
TOTAL EQUITY AND LIABILITIES		19,835,299	19,533,187

General Manager		25/05/2020	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		25/05/2020	Rasa Norkūnė
	(signature)	(date)	(name, surname)

CASH FLOW STETEMENT FOR THE YEAR 2019

(all amounts are in EUR unless otherwise stated)

	Note	2019	2018
Cash flows from/(used in) operating activities			
Profit before tax		41,014	800,535
Adjustments to non-cash items:			
Depreciation and amortisation	6, 7, 8	1,018,437	173,591
Result on disposal of non-current assets		(766)	(1,751)
Non-current assets write-off	6, 7	91,555	131,091
Change in provisions		(121,199)	218,769
Effect of foreign exchange	5	21,867	(3,336)
Interest expense	5	70,981	4,439
Interest income	5	(2,954)	(1,615)
Impairment (reversal) of receivables	9	29,527	6,569
Changes in working capital:			
(Increase)/decrease in prepayments and deferred expenses		(35,908)	(1,081,125)
(Increase)/decrease in trade receivables and receivables from insurance companies		2,660,400	1,517,538
(Increase)/decrease in receivables from related parties		696,124	(927,351)
(Increase)/decrease in other receivables, other current assets and financial assets		(1,946,413)	383,557
Increase/(decrease) in trade payables and payables to related companies		(219,097)	210,389
Increase/(decrease) in prepayments and deferred revenue		(61,741)	(322,097)
Increase/(decrease) in employment-related liabilities		(100,404)	330,199
Increase/(decrease) in liabilities to insurance companies, accrued expenses and other payables		309,649	302,877
Income tax (paid)		(724,188)	(450,743)
Net cash flows from/(used in) operating activities		1,726,884	(1,743,539)
Cash flows from/(used in) investing activities			
Acquisition of non-current assets (except for investments)	7	(376,244)	(82,316)
Acquisition of intangible assets (except for investments)	6	(7,170)	-
Disposal of non-current assets (except for investments)	7	895	21, 360
Deferred payment for shares acquisition	13, 20	(350,000)	-
Legal merger (cash received)		-	2,059,696
Net cash flows from/(used in) investing activities		(732,519)	1,998,740
Cash flows from/used in financing activities			
Cash flows from other financing sources		(895,512)	165,561
Increase in borrowings		-	200,000
Loans received	12	-	200,000
Decrease in borrowings		(895,512)	(34,439)
Repayment of loans		(230,000)	(30,000)
Lease payments	18	(660,716)	-
Interest paid		(4,796)	(4,439)
Net cash flows from/(used in) financing activities		(895,512)	165,561
Net increase (decrease) in cash flows		98,853	420,762
Effect of exchange rate changes on cash and cash equivalent balances		-	-
Cash and cash equivalents at the beginning of the period		3,815,191	3,394,429
Cash and cash equivalents at the end of the year		3,914,044	3,815,191

General Manager		25/05/2020	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		25/05/2020	Rasa Norkūnė
	(signature)	(date)	(name, surname)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2019
(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	6,067,173	7,015,821
Net profit		-	-	-	-	710,129	710,129
Other comprehensive income		-	-	-	-	-	-
Net comprehensive income		-	-	-	-	710,129	710,129
Result from legal merger (Note 20)		-	-	-	-	311,706	311,706
Closing balance – prior year		848,418	11,160	84,842	4,228	7,089,008	8,037,656
Net profit		-	-	-	-	(205,220)	(205,220)
Other comprehensive income		-	-	-	-	-	-
Net comprehensive income		-	-	-	-	(205,220)	(205,220)
Closing balance – current year		848,418	11,160	84,842	4,228	6,883,788	7,832,436

General Manager		25/05/2020	Žilvinas Petrauskas
	(signature)	(date)	(name, surname)
Head of Finance		25/05/2020	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. Address of the Company's registered office: A. Goštauto st. 40B, Vilnius, Lithuania

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

On 28 December 2017, the Company acquired 100% of shares in company Balto Link UADBB, which owned 100% of shares of subsidiary Balto Link Sprendimai UAB and 100 % of shares or subsidiary Balto Link SIA. On 2 November 2018, the companies were merged into the parent company as follows: Balto Link UADBB was merged into the Company, Balto Link SIA and Aon Consulting SIA were merged into the Company and continue their activities through the Company's branch in Latvia, while Balto Link UADBB Estonian branch was merged into the Company and continues its activities through the Company's branch in Estonia.

As at 31 December 2019 and 2018, the Company owned 100% of ordinary intangible shares of subsidiary Riskikonsultatsioonide OÜ in Estonia in the nominal amount of EUR 2,556 and 100% of ordinary intangible shares of subsidiary One underwriting UAB in the nominal amount of EUR 3,000 (on 4 December 2018, the subsidiary's name was changed from Balto Link Sprendimai UAB to One underwriting UAB).

The Company does not prepare consolidated financial statements, because financial results of its subsidiaries Riskikonsultatsioonide OÜ and 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 2019 and 2018, the sole shareholder of the Company was Aon Holdings B.V. (the Netherlands). As from 1 April 2020, the Company's ultimate parent company 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 2019 and 2018 amounted to EUR 848,418.

All the shares of the Company were fully paid as at 31 December 2019 and 2018. The Company did not hold its own shares in 2019 and 2018.

As at 31 December 2019, the Company had 185 employees in Lithuania (excluding employees which are on maternity leave) (as at 31 December 2018 – 177), there were 44 employees in the branches of Latvia and Estonia as at 31 December 2019 (47 employees as at 31 December 2018).

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 2019:

IFRS 16: Lease

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessors' accounting is substantially unchanged.

The Company first adopted IFRS 16 Leases, in the reporting period of twelve months ended 31 December 2019, which had a significant impact on the Company's financial statements. The Company has adopted IFRS 16 using the modified retrospective approach of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application and comparative information is not restated.

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

	As at 31 December 2018	IFRS 16	As at 1 January 2019
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Right-of-use assets	-	1,204,974	1,204,974
EQUITY			
NON-CURRENT LIABILITIES			
Lease liabilities	-	616,064	616,064
CURRENT LIABILITIES			
Current portion of finance lease liabilities	-	588,910	588,910

Reconciliation between lease obligation recognised as at 1 January 2019 and future minimum payments under non-cancellable operating leases as at 31 December 2018 is given below:

	As at 1 January 2019
The future minimum lease payments under non-cancellable operating leases of cars	354,473
The future minimum lease payments under non-cancellable operating leases of premises	395,035
Total as at 31 December 2018	**749,508**
Add: Initial recognition adjustments to lease payments for cars*	350,700
Add: Initial recognition adjustments to lease payments for premises*	177,733
Adjusted future minimum lease payments under non-cancellable operating leases as at 31 December 2018	**1,277,941**
The weighted average interest rate for car leases as at 1 January 2019	1.70%
The weighted average interest rate for premises leases as at 1 January 2019	3.27%
Lease liability as at 1 January 2019	**1,204,974**
Of which:	
Current lease liability	588,910
Non-current lease liability	616,064

* In 2018, for the purposes of IAS 17, operating leases were measured at minimum lease payments without estimating the most likely lease term. After reviewing the leases for the implementation of IFRS 16 Leases, future payments under non-cancellable leases have been restated to reflect the most likely lease term.

The Company has lease contracts for various items of land, premises, vehicles and other assets. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.7 Lease for the accounting policy applied before 1 January 2019.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.6 Lease liabilities, for the accounting policy beginning 1 January 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Company. The following practical expedients were applied by the Company on a case-by-case basis during the transitional period:

• Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e. leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

• Excluded initial direct costs on leases previously classified as operating leases by applying the Standard at the commencement date.

• Used hindsight, for example, in determining the lease term where the contract contained options to extend or terminate the lease.

IFRS 9: Prepayment features with negative compensation (Amendment)
The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. According to the Company's management, the first-time adoption of the interpretation did not have any significant impact on the Company's financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. According to the Company's management, the first-time adoption of the amendments had no significant impact on the Company's financial statements.

The IASB has issued the Annual Improvements to IFRSs 2015–2017 Cycle, which is a collection of amendments to IFRSs.

- IFRS 3: Business Combinations and IFRS 11: Joint operations
  The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12: Income tax
  The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- IAS 23: Borrowing costs
  The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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

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 becomes effective on or after 1 January 2021, although earlier application is permitted when applied in conjunction with IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments: Classification and Measurement. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It also requires the same principles to apply to reinsurance contracts and investment contracts that include discretionary participation features. The aim is to ensure that entities provide relevant information in a way that accurately reflects such contracts. This information enables users of financial statements to evaluate the effects of contracts within the scope of IFRS 17 on an entity's financial position, financial performance and cash flows. 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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized 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.

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. According to the Company's management, adoption of the amendments will have no significant impact on the Company's financial statements.

IFRS 3: Business Combinations (Amendments)

The IASB has issued '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 on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Earlier application is permitted. The amendments have not yet adopted for use in the European Union. Management has not yet evaluated the impact of the implementation of these amendments.

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 provide guidance on its application. The new definition specifies 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 IFRSs. The amendments have not yet adopted for use in the European Union. Management has not yet evaluated the impact of the implementation of these amendments.

Interest Rate Benchmark Reform: IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. 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. 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). 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. 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 reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The amendments have not yet adopted for use in the European Union. 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.

Expenses 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
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 minimum value was reviewed and changed in 2019. 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 OCI 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 2019 and 2018.
• Fair value through OCI with no recycling of cumulative gains and losses upon derecognition into profit or loss (equity instruments). As at 2019 and 31 December 2018, 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 2019 and 2018.

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 derivative financial instruments 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 2019 and 2018, 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 (from 1 January 2019)
Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. As from 1 January 2019, the Company recognizes a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

Initial 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	From 3 to 5 years
Premises	From 2 to 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 mature in less than 3 months and 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 (from 1 January 2019)

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 amounts payable under the purchase option.

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

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

The Company determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The Company uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the 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) Lease (before 1 January 2019)
In the comparative period, lases where the lessor retains all significant risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

(2.8) 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.

(2.9) 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 2019, the standard income tax rate applied in the Republic of Lithuania was 15% (in 2018 – 15%). In 2019, the standard income tax rate applied in the Republic of Latvia was 20% (in 2018 – 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 2019, the standard income tax rate applied in the Republic of Estonia was 20/80% (in 2018 – 20/80%), 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) derivative financial instruments 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 comprehensive balance sheet 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 statement of financial position 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.

(2.10) Revenue recognition
Revenue from contracts with customers
The Company recognizes commission revenue 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 revenue from related parties at the date of issue of 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 provision based on historical data, but accumulates deferred expenses related to already recognised sales 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.

(2.11) 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.

(2.12) 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.

(2.13) 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.

(2.14) 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.

(2.15) 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, impairment of goodwill, client lists, accrual for contract assets, 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 client lists
The Company's management annually tests goodwill 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.

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.

Allowance for doubtful receivables
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.

Pandemic situation
The Company assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in the Republic of Lithuanian on 16 March 2020, on the financial statements, including going concern assumption. It is difficult for management to predict the impact of the announced quarantine on the Company's financial results and its duration, but the Company generates strong free cash flows and has sufficient liquidity reserves, as well as the Group's support to continue its operations successfully. Therefore, management has concluded that the going concern assumptions remain appropriate for at least 12 months after these financial statements are approved.

In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore it's potential impact was not considered when making estimates and assumptions about the impairment of receivables and other assets as at 31 December 2019, however, this matter might have a significant impact on these estimates in the next financial period. At present, management is not yet able to reasonably quantify the extent of potential changes in estimates in 2020 due to great level of uncertainty associated with further development of COVID-19 pandemic situation and the possible overall negative economic effect of this event.

(2.16) 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.

(2.17) 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:

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 2019 and 2018 approximate their fair value, which was determined based on the third level of the fair value hierarchy.

(2.18) 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 method of accounting.

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.

(2.19) 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 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.

(2.20) 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 shared among 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 does not depend on liquidity of a sole partner.

Interest rate risk
As at 31 December 2019 and 2018, 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 short term.

The Company's liquidity and quick ratios were equal to 1.11 as at 31 December 2019 (as at 31 December 2018 – 1.54).

LIQUIDITY RATIOS	As at 31 December 2019	As at 31 December 2018
Current liquidity ratio	1.11	1.54
Quick Ratio	1.11	1.54

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 18,750. The table below compares the Company's equity with minimum equity threshold.

	As at 31 December 2019	As at 31 December 2018
Present equity	**7,832,436**	**8,037,656**
Received insurance premiums, payable to insurers:	**81,478,346**	**53,043,429**
1st quarter	20,438,077	8,959,649
2nd quarter	19,453,497	9,607,522
3rd quarter	21,881,428	12,702,545
4th quarter	19,705,344	21,773,713
Mandatory minimum equity: max {(Insurance premiums received)x0.04; 18,750 EUR}	**3,259,134**	**2,121,737**

NOTE 4. COST OF SALES

	2019	2018
Employee related expenses	7,543,217	4,725,554
Commissions to agents	1,498,363	1,506,153
Total cost of sales	**9,041,580**	**6,231,707**

NOTE 5. RESULTS OF FINANCING AND INVESTING ACTIVITIES

	2019	2018
Foreign currency exchange gain	-	3,336
Bank interest	2,954	1,615
Income from financing and investing activities	**2,954**	**4,951**
Interest and discount expense on lease liabilities	66,185	-
Interest on loans	4,796	4,439
Fines and default interest for overdue payments	1,107	384
Foreign currency exchange loss	21,867	-
Expenses of financing and investing activities	**93,955**	**4,823**

NOTE 6. INTANGIBLE ASSETS

	Goodwill	Software	Client lists	Other intangible assets	Total
Acquisition cost					
As at 31 December 2017	370,741	285,652	214,222	3,497	874,112
Additions	-	-	-	-	-
Disposals and write-offs (-)	-	(235,761)	-	-	(235,761)
Legal merger (Note 20)	4,061,000	600,513	1,608,000		6,269,513
As at 31 December 2018	**4,431,741**	**650,404**	**1,822,222**	**3,497**	**6,907,864**
Amortisation					
As at 31 December 2017	-	136,319	155,741	2,710	294,770
Amortisation for the reporting period	-	20,521	70,274	295	91,090
Amortisation of disposals and write-offs (-)	-	(111,025)	-	-	(111,025)
Legal merger (Note 20)	-	45,803	191,429	-	237,232
As at 31 December 2018	**-**	**91,618**	**417,444**	**3,005**	**512,068**
Impairment					
As at 31 December 2017	29,961	-	-	-	29,961
Legal merger (Note 20)	-	308,710	-	-	308,710
As at 31 December 2018	**29,961**	**308,710**	**-**	**-**	**338,671**
Acquisition cost					
As at 31 December 2018	4,431,741	650,404	1,822,222	3,497	6,907,864
Acquisition and manufacture of assets	-	7,170	-	-	7,170
Disposals and write-offs (-)	-	(4,020)	(687)	-	(4,707)
As at 31 December 2019	**4,431,741**	**653,554**	**1,821,535**	**3,497**	**6,910,327**
Amortisation					
As at 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 (-)	-	(3,380)	(687)	-	(4,067)
As at 31 December 2019	**-**	**138,677**	**668,130**	**3,300**	**810,107**
Impairment					
As at 31 December 2018	29,961	308,710	-	-	338,671
As at 31 December 2019	**29,961**	**308,710**	**-**	**-**	**338,671**
Net book value at 31 December 2018	**4,401,780**	**250,076**	**1,404,778**	**492**	**6,057,126**
Net book value at 31 December 2019	**4,401,780**	**206,167**	**1,153,405**	**197**	**5,761,549**

On 2 November 2018, following a legal merger, the Company recognised non-current intangible assets of merged entities at acquisition cost and accumulated amortisation.

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

As at 31 December 2019, the recoverable value of goodwill related to activity in Lithuania (EUR 4,261 thousand) and Latvia (EUR 171 thousand), as well as the recoverable value of client 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% discount rate (pre-tax) and cash flows for goodwill have been estimated using constant 1–1.5% growth rate based on the most likely management's estimate, taking into account the current situation of the industry concerned (as at 31 December 2018 – 7% and 1–1.5%, respectively).

Based on the above estimates, the Company did not recognise any impairment of goodwill or customer lists in 2019 and 2018.

As at 31 December 2019 and 2018, the recoverable value of goodwill and client 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:

	As at 31 December 2019	As at 31 December 2018
Software	79,628	83,901
Client lists	2,363	3,050
Other intangible assets	2,317	2,317
Total acquisition cost	**84,308**	**89,268**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Leasehold improvements	Vehicles	Office equipment	Telecommunication, IT and computer equipment	Total
Acquisition cost						
As at 31 December 2017	131,864	128,020	14,943	11,677	306,413	592,917
Additions	18,687	-	20,839	381	42,409	82,316
Disposals and write-offs (-)	(9,497)	-	(20,839)	(2,674)	(61,509)	(94,519)
Legal merger (Note 19)	134,157	-	-	5,579	57,146	196,882
As at 31 December 2018	**274,010**	**128,020**	**14,943**	**16,165**	**344,459**	**777,596**
Depreciation						
As at 31 December 2017	52,629	95,049	14,943	9,135	190,220	361,976
Depreciation for the reporting period	12,367	11,844	1,230	1,443	55,617	82,501
Depreciation of disposals and write-offs (-)	(7,010)	-	(1,230)	(2 601)	(57,714)	(68,555)
Reclassified from/to +/(-)	(974)	-	-	974	-	-
Legal merger (Note 19)	115,784	-	-	5,417	50,657	171,858
As at 31 December 2018	**172,796**	**106,893**	**14,943**	**14,369**	**238,780**	**547,781**
Acquisition cost						
As at 31 December 2018	274,010	128,020	14,943	16,165	344, 459	777,596
Additions	25,606	178,205	41,650	4,787	125,996	376,244
Disposals and write-offs (-)	(139,445)	-	-	(13,258)	(88,584)	(241,287)
As at 31 December 2019	**160,171**	**306,225**	**56,593**	**7,694**	**381,872**	**912,554**
Depreciation						
As at 31 December 2018	172,796	106,893	14,943	14,369	238,780	547,781
Depreciation for the reporting period	12,377	25,915	5,206	768	45,109	89,375
Depreciation of disposals and write-offs (-)	(79,040)	-	-	(11,858)	(59,345)	(150,243)
As at 31 December 2019	**106,133**	**132,808**	**20,149**	**3,280**	**224,544**	**486,914**
Net book value at 31 December 2018	**101,214**	**21,127**	**-**	**1,796**	**105,679**	**229,816**
Net book value at 31 December 2019	**54,038**	**173,417**	**36,444**	**4,414**	**157,328**	**425,641**

On 2 November 2018, following a legal merger, the Company recognised property plant and equipment of merged entities at acquisition cost and accumulated depreciation.

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.

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 2019	As at 31 December 2018
Furniture and fittings	75,626	88,643
Leasehold improvements	72,616	72,616
Vehicles	14,944	14,944
Office equipment	2,905	7,209
Telecommunication, IT and computer equipment	138,146	108,570
Total acquisition cost	**304,237**	**291,982**

NOTE 8. RIGHT-OF-USE ASSETS

	Buildings	Vehicles	Total
Net book value at 31 December 2018			
Additions:			
Whereof: recognised as right-of-use asset as at 1 January 2019 (Note 2.6)	689,422	515,552	1,204,974
Whereof: lease contracts signed in 2019	1,002,588	123,180	1,125,768
Write-offs and disposals	-	-	-
Depreciation	(391,433)	(235,522)	(626,955)
Net book value at 31 December 2019	**1,300,577**	**403,210**	**1,703,787**

NOTE 9. CURRENT RECEIVABLES

	As at 31 December 2019	As at 31 December 2018
Commissions and service fee received	21,951	4,982
Trade receivables	**21,951**	**4,982**
Commissions and service fee received	564,692	3,242,061
Allowance for commissions and service fee receivables	(38,937)	(9,410)
Receivables from insurance companies	**525,755**	**3,232,651**
Commissions and service fee received	282,765	879,850
Insurance premiums and claim payments receivable	27,454	-
Other receivables	16,763	136,820
Accrued commissions and service fee	6,198	12,634
Debts of related parties	**333,180**	**1,029,304**
Receivables from employees	261	555
Insurance premiums and claim payments receivable	211,324	216,817
Contract assets	5,654,864	3,723,423
Accrued insurance premiums and claim payments	679	5,638
Other receivables	68,354	15,273
Other receivables	**5,935,482**	**3,961,706**
Total current receivables	**6,816,368**	**8,228,643**

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 trade receivables.

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 2018	1,013	-	-	-	2,388	1,581	4,982
As at 31 December 2019	9,450	4,662	-	-	-	7,839	21,951
Receivables from insurance companies							
As at 31 December 2018	2,653,211	290,385	270,484	15,215	1,650	1,706	3,232,651
As at 31 December 2019	83,593	215,089	160,050	-	48,984	18,039	525,755
Debts of related parties							
As at 31 December 2018	558,019	228,822	29,990	180,505	8,326	23,642	1,029,304
As at 31 December 2019	50,334	127,734	35,562	9,097	102,433	8,020	333,180
Other receivables							
As at 31 December 2018	3,702,378	-	-	258,890	-	438	3,961,706
As at 31 December 2019	5,895,147	21,090	4,192	14,109	944	-	5,935,482

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 processed in the bankruptcy proceedings.

	As at 31 December 2019	As at 31 December 2018
Cash at bank	924,298	592,253
Cash at the Group's cash pool account (BMG)	485,824	793,595
Total operating cash	**1,410,122**	**1,385,848**
Cash at fiduciary bank account	2,503,922	2,429,343
Total fiduciary cash	**2,503,922**	**2,429,343**
Total cash and cash equivalents	**3,914,044**	**3,815,191**

As at 31 December 2019 and 2018, 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 2019 and 2018.

NOTE 12. PROPOSED PROFIT APPROPRIATION

Retained earnings (deficit) of prior years as at 31 December 2018	7,089,008
Current year net profit (loss)	(205,220)
Profit (loss) to be appropriated as at 31 December 2019	6,883,788
Profit (loss) to be carried forward as at 31 December 2019	**6,883,788**

The Company has no plans to pay dividends in 2020.

NOTE 13. COMPANY'S LIABILITIES BY GROUP AND MATURITY

The following table summarizes the maturity profile of liabilities as at 31 December 2019 and 2018 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)	-	161,661	427,250	1,274,728	-	1,863,639
Other debts to related companies	-	-	-	-	-	-
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 payable	30,137	10,052	-	-	-	40,189
Deferred income 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**

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Other debts to related companies	-	230,000	-	-	-	230,000
Borrowings	**-**	**230,000**	**-**	**-**	**-**	**230,000**
Liabilities to insurance companies (premium collected)	75,754	756,360	7,115	-	-	839,229
Trade payables	355,272	-	406,340	-	-	761,612
Payables to related parties	-	497,258	-	-	-	497,258
Employment-related liabilities	608,382	799,212	53,887	-	-	1,461,481
Accrued expenses	388,956	42,007	10,794	-	-	441,757
Accrued claim handling expenses	-	-	87,686	-	-	87,686
Other payables	282,960	207,593	2,892,943	-	-	3,383,496
Payables	**1,711,324**	**2,302,430**	**3,458,765**	**-**	**-**	**7,472,519**
Provision for pensions and similar liabilities	-	-	5,286	27,754	-	33,040
Other provisions	-	-	258,328	2,850,000	-	3,108,328
Provisions	**-**	**-**	**263,614**	**2,877,754**	**-**	**3,141,368**
Contract liabilities	59,311	-	43,637	-	-	102,948
Income tax payable	453,651	-	23,389	-	-	477,040
Deferred income tax liability	-	-	-	71,656	-	71,656
Other liabilities	**512,962**	**-**	**67,026**	**71,656**	**-**	**651,644**
Liabilities as at 31 December 2018	**2,224,286**	**2,532,430**	**3,789,405**	**2,949,410**	**-**	**11,495,531**

As at 31 December 2019, EUR 1.5 million overdraft at Bank Mendes Gans N.V. bank account was included in other payables (as at 31 December 2018 – 2 million).

NOTE 14. OPERATING EXPENSES

	2019	2018
Advertising expenses	370,751	62,152
Marketing expenses	314,600	314,536
Financial support and charity	39,290	17,198
Sales and distribution expenses	**724,641**	**393,886**
Corporate and infrastructure fees	2,583,572	1,555,345
Salaries and social security	1,636,641	1,004,352
Depreciation, amortisation	1,018,436	173,591
Consulting and legal services	774,472	680,531
IT system maintenance expenses	747,456	288,653
Expenses of non-deductible VAT	571,527	320,128
Repair and operation costs	457,415	115,425
Representation expenses	363,574	247,148
Other employee-related expenses	338,641	254,896
Accrued claim handling expenses	194,074	38,783
Business trip expenses	161,952	113,277
Communication expenses	144,985	61,580
Office expenses	140,399	44,671
Bank fees	123,120	25,152
Expenses of stationary and office equipment	105,690	53,803
Lease (in 2019, outside the scope of IFRS 16)	91,856	403,666
Non-current assets write-offs	91,556	131,091
Fuel and car repairs	69,974	-
Write-off of bad debts	36,422	-
Insurance	35,339	18,459
Audit services	33,617	35,697
Impairment (reversal) of receivables	29,527	-
Other	10,640	28,059
Taxes (other than income tax)	8,559	3,310
Administrative expenses	**9,769,444**	**5,597,617**
Operating expenses, total	**10,494,085**	**5,991,503**

NOTE 15. OTHER ACTIVITIES

	2019	2018
Other revenues from third parties	31,039	1,171
Other revenues from related parties	13,768	52,274
Gain on disposal of non-currents assets	766	1,751
Other operating income	**45,573**	**55,196**
Cost of service to related parties (other)	12,464	43,854
Penalties	3,455	3,218
Other	-	3,326
Other operating expenses	**15,919**	**50,398**
Result from other activities	**29,654**	**4,798**

NOTE 16. CURRENT AND DEFERRED INCOME TAX

Income tax

	2019	2018
Current income tax	277,623	655,438
Correction of prior periods income tax	3,264	-
Deferred income tax expenses (benefit)	(34,653)	(565,032)
Total income tax expense	**246,234**	**90,406**

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

	2019	2018
Profit before tax	41,014	800,535
Income tax rate	15%	15%
Income tax expenses from profits (pre-tax)	**6,152**	**120,080**
Effect of different tax rates applicable for permanent establishments	127,743	(27,178)
Permanent differences	112,339	(2,496)
Total income tax expense	**246,234**	**90,406**

Deferred income tax

Deferred income tax in Lithuania in 2019 and 2018 was calculated for temporary differences by applying 15% tax rate. From 2018 in Latvia, as in 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 2019		As at 31 December 2018	
	Temporary differences	Deferred income tax	Temporary differences	Deferred income tax
Differences of depreciation terms	246,968	37,045	308,710	46,307
Right-of-use assets	(1,236,381)	(185,457)	-	-
Goodwill	(230,197)	(34,530)	(45,122)	(6,768)
Client lists	(1,148,571)	(172,286)	(1,378,286)	(206,743)
Provision for bad debts	31,133	4,670	13,460	2,019
Vacation reserve	297,901	44,685	250,844	37,627
Accrued claim handling expenses	239,242	35,886	87,686	13,153
Provision for policy cancellations	281,760	42,264	155,549	23,332
Lease liabilities	1,257,694	188,654	-	-
Other provisions	13,764	2,065	129,452	19,417
	(246,687)	(37,003)	(477,707)	(71,656)

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

	As at 31 December 2019	As at 31 December 2018
Deferred income tax assets at the beginning of the period, net	(71,656)	1,451,308
Changes in deferred income tax	34,653	(1,522,964)
Deferred income tax assets (liabilities) at the end of the period, net	(37,003)	(71,656)

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 2019	As at 31 December 2018
Non-current portion of retirement benefits	45,341	27,754
Current portion of retirement benefits	10,482	5,286
Total	**55,823**	**33,040**
Key assumptions		
Discount rate	1.87%	1.87%
Planned annual salary increase	3.00%	3.00%

NOTE 18. LEASE LIABILITIES

	As at 31 December 2019
Opening book value at the beginning of the year	-
Recognition of lease liabilities under IFRS 16 (first-time adoption on 1 January 2019)	1,204,974
Lease contracts concluded	1,125,768
Interest charges	66,185
Lease payments (principal portion and interest)	(660,716)
Carrying amount at 31 December 2019	**1,736,211**
Non-current lease liabilities	1,197,662
Current lease liabilities	538,549

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

	As at 31 December 2019
Minimum payments	
Within one year	588,910
Two to five years	1,274,726
After 5 years	-
Total	**1 863 636**
Future finance costs	
Within one year	(50,362)
Two to five years	(77,063)
After 5 years	-
Total	**(127,425)**
Carrying amount	**1,736,211**

	As at 31 December 2018
Off-balance sheet liabilities for car lease	354,473
Off-balance sheet liabilities for premises lease	395,035
Total	**749,508**

NOTE 19. CONTINGENT LIABILITIES AND ASSETS

The Tax Authorities may at any time during 3–5 successive years after the end of the reporting tax year, depending on taxes, carry out the inspection of 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 2019 and 2018.

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

NOTE 20. ACQUISITIONS

On 28 December 2017, the Company acquired 100% of shares in company Balto Link UADBB, which owned 100% of shares of subsidiary Balto Link Sprendimai UAB and 100 % of shares or subsidiary Balto Link SIA. On 2 November 2018, the companies were merged into the parent company.

On acquisition date of Balto Link UADB, Balto Link UADBB assets and liabilities were assessed at fair value under IFRS 3. The difference between Balto Link UADBB net assets measured at fair value and acquisition price, that is EUR 4,061 thousand, was recognized as goodwill, which after legal merger date was included into the Company's statement of financial position.

On the date of legal merger, the difference between accounting cost of the investment and net asset value of the merged entity was accounted for in the statement of changes in equity as a result from legal merger and amounted to EUR 311,076.

Based on the non-disclosure agreement included into the share purchase agreement, the Company does not disclose further information about the transaction.

NOTE 21. 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 2019 and 2018, the Company's related parties and transactions with them (all related parties listed below are joint ventures) were the following:

	As at 31 December 2019				As at 31 December 2018			
	Sales (reversals)	Acquisitions (reversals)	Receivables from related parties	Payables to related parties	Sales (reversals)	Acquisitions (reversals)	Receivables from related parties	Payables to related parties
Ultimate parent Aon Plc.	-	-	-	-	-	1, 001	-	-
Other related parties	2,121,505	3,182,197	333,180	387,418	2,103,422	1,884,479	1,029,304	727,258
	2,121,505	**3,182,197**	**333,180**	**387,418**	**2,103,422**	**1,885,480**	**1,029,304**	**727,258**

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.

Remuneration of the Company's management and other payments

The management of the Company consists of the general manager, head of finance, managers of subsidiaries in Latvia and Estonia. In 2019 and 2018, the management of the Company did not receive any loans or guarantees

	Remuneration for the year		Closing balance	
	2019	2018	2019	2018
Management remuneration during the year	489,442	374,162	127,879	69,447
Average number of management	4	4		

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

NOTE 22. DEFERRED EXPENSES

	As at 31 December 2019	As at 31 December 2018
Deferred marketing expenses	368,992	629,200
Deferred IT maintenance expenses	420,548	410,033
Other	310,183	35,565
Total	**1,099,723**	**1,074,798**

NOTE 23. 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 2019, which is disclosed in Note 12 to these financial statements.

The outbreak of the coronavirus (COVID–19) at the beginning of 2020 will have an impact on the Company's future business operations both globally and in Lithuania. This non-adjusting subsequent event was not reflected in the significant estimates and assumptions as of 31 December 2019, because the COVID-19 pandemic and quarantine did not exist as at 31 December 2019, however, it might result in significant change in these estimates in the next upcoming financial statements. However, it has not yet been possible to assess its possible effect due to the uncertainty of the situation at the date of issue of these financial statements.

Sidevahendid

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