

2019

IGNITIS RENEWABLES UAB

COMPANY'S AND GROUP'S CONSOLIDATED FINANCIAL STATEMENTS,
FOR THE PERIOD 14 JANUARY 2019 TO 31 DECEMBER 2019

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH
ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT



These Company's and Group's consolidated financial statements are a translation from the original, which was prepared in the Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.

www.ignitisgrupe.lt

Ignitis renewables UAB
Registered office address: P. Lukšio st. 5B, LT-08221 Vilnius
Address for correspondence: Žvejų st. 14, LT-09310 Vilnius
E-mail grupe@ignitis.lt
Company code 304988904



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The Company's and the Group's consolidated financial statements were signed on 23 July 2020 by the management of Ignitis renewables UAB:

Aleksandr Spiridonov
CEO

Laurynas Jocys
Finance and Treasury Director

Giedruolė Guobienė
Ignitis grupės paslaugų centras UAB
Head of Accounting Department acting under Order No IS-
88-20 of 10 April 2020

ANNUAL AND CONSOLIDATED REPORT OF IGNITIS RENEWABLES UAB

For the period 14 January 2019 to 31 December 2019

The Company's annual report and (the Group's) consolidated report were prepared in accordance with the requirements set in the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Republic of Lithuania Law on Companies. The Company's securities are neither listed nor traded in the regulated market. The Company's Articles of Association do not establish other requirements for the contents of the annual report in addition to those stipulated in the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Basic data about the Company

Company name:	Ignitis renewables UAB
Legal form:	Private Limited Liability Company
Issued capital	EUR 3,000
Date of registration:	14 January 2019
Place of registration:	P. Lukšio st. 5B, 4, Vilnius
Company code:	304988904
Registered office address:	Žvejų st. 14, LT-09310 Vilnius
Register name:	P. Lukšio st. 5B, 4, Vilnius
Telephone:	+5 2 78 29 98
Fax:	None
E-mail:	biuras@ignitis.lt
Website:	www.ignitisgrupe.lt

On 21 June 2018, the Parliament of the Republic of Lithuania adopted Resolution No XIII 1288 on approval of the new National Energy Independence Strategy (hereinafter referred to as "the Strategy"). The strategy gives priority to the balanced and sustainable development of renewable energy resources, with a strong focus on wind power.

On 21 May 2018, the Board of Ignitis grupė UAB (formerly Lietuvos energija UAB) adopted the decision to approve the draft strategy of Ignitis grupė UAB companies' group, which was approved on 23 May 2018 by the company's Supervisory Board (LE 2030 strategy). LE 2030 strategy is compatible with the Strategy approved by the Parliament of the Republic of Lithuania.

Ignitis grupė UAB implements the goals provided for in the LE 2030 Strategy in line with the green generation area: development of power generation capacities using wind, solar, biofuels and waste as energy resources, the scope of which is consistent development in Lithuania, the Baltic Sea and Central and Eastern Europe by acquiring operating wind farms and developing new projects. The targets set out in the LE 2030 Strategy are collection of technological experience and establishment of the centre of green energy and management expertise, adaptation of the model for standardised development and management of wind and solar parks to all operating regions, as well as integrated solutions with new commercial services.

For that purpose, Ignitis renewables UAB, a holding of renewable energy resources, was established on 14 January 2019 (hereinafter "the Company"). On 28 March 2019, the Company concluded the share sale-purchase agreements with Ignitis grupė UAB to acquire 100% interest in the ordinary intangible shares of Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB, and VVP Investment UAB.

In addition to the above companies, the Company also owned 100% interest in the shares of Pomerania Wind Farm Sp. z o. O. (hereinafter referred to as "the Group") as at 31 December 2019.

Description of the Company and the Group's activities and service market

The aim of the Company's activities is to pursue economic activity, maximise returns and safeguard the interests of the Company and the shareholder through a rational utilisation of assets. The main activity of the Company is the performance analysis and coordination, supply of management services to the legal entities owned by the Company, exercise of rights and obligations of the shareholder, development of wind and solar power generation capacities.

The main business activities of the Group's operating wind farms, which are managed by the Group companies Vėjo vatas UAB, Vėjo gūsis UAB and EURAKRAS UAB, are production and sale of electricity generated from renewable sources (wind). The electricity purchase services are provided by AB Ignitis gamyba, an electricity company designated by the Ministry of Energy of the Republic of Lithuania (hereinafter "the Designated Entity"). The electricity purchased is traded through a day-ahead trading platform on the electricity exchange Nord Pool. Trading on the power exchange is carried out by the Designated Entity.

The wind farms under development by the Group in Lithuania and Poland, which are managed by the Group companies VVP Investment UAB and Pomerania Wind Farm Sp. z o. o., are engaged in the following core activities:

- Management of the design, construction, supply, installation and connection to the grid of wind farm with a total capacity of 60 MW or more and other project-related tasks leading to generation of electricity by wind farm to be traded on the Nordpool Power Exchange through the designated entity.
- Management of the construction, supply, installation and connection to the grid of wind farm with a total capacity of 94 MW or more and other project-related tasks leading to generation of electricity by wind farm to be sold to a selected electricity purchasing company.

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

During 2019, through successful management and consulting services the Company coordinated activities of its legal entities. The Company is involved in the search for new wind and solar projects and their evaluation with the goal set for 2020–2022: to significantly increase the total installed capacity of the operated and developing projects and to perform all necessary research and other development works related to the project of a new offshore wind farm in the Baltic Sea.

In 2019, the Group generated and sold 176.5 GWh and 172.4 GWh of electricity, respectively. In 2019, all parks managed by the Group operated without significant disruptions with availability rate of around 98% achieved by wind farms. The Group continued to successfully develop wind power projects in Lithuania and Poland.

Description of key risks and uncertainties faced by the Company and the Group

Economic risk

The Company's income is contingent on the management services provided and the dividends from the subsidiaries managing the operating wind farms. Whereas the Group is engaged in electricity generation in wind farms, which are subject to measures promoting the use of renewable energy sources, including flat rate and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation, the management believes that the impact of economic risk on the Group's operations is not significant.

Financial risk

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

Credit risk

Credit risk arising from the funds held at banks is minimal because the Company and the Group's accounts have been opened only with those banks (or their subsidiaries) which have been assigned with high credit ratings by foreign rating agencies. The credit risk associated with trade receivables for electricity is also minimal, because electricity is traded through an electricity company designated by the Ministry of Energy of the Republic of Lithuania, of which credit and risk assessment did not raise significant issues to the management.

Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Company and the Group. Cash flow forecasts are made to minimize liquidity risk. Short-term financing (credit lines) from both the financial institutions and the shareholders may be used to manage short-term mismatches of cash flows (inflows and outflows), if necessary. Ignitis grupė UAB and external financing are used to meet the long-term cash flow need, which essentially involves the projects under development and acquisition of new ones. In 2020, the Company and the Group's operations were financed using both the issued capital and borrowed funds. As disclosed in the Note 3.1 (*Liquidity risk*) of the Company and the Group's consolidated financial statements for the period from 14 January 2019 to 31 December 2019, on 4 June 2020 the Treasury Management Department of Ignitis grupė UAB notified the Company by electronic means of communication that it agrees with the extension of the repayment deadline from 31 August 2020 to 31 August 2021 of the short-term loan issued by Ignitis grupė UAB, with a carrying value of approx. EUR 56 million as at 31 December 2019. As a result, the management believes that the underlying cause of the liquidity risk in the short term is managed.

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings which are necessary to finance development projects and balance the working capital. All the Group's long-term borrowings and significant part of short-term borrowings are subject to fixed interest rates, therefore, there is no significant risk related to possible interest rate fluctuations.

Foreign currency exchange risk

The Company and the Group's purchase/sale transactions are mainly denominated in euros and Polish zloty. The agreement for the supply, delivery and assembly of the turbines for the Pomerania Wind Farm are concluded in euros, and the agreements for the remaining construction and electrotechnical installation services – in Polish zloty. In order to manage foreign exchange risk, needs for the euros are ensured by the equity contribution in Pomerania Wind Farm Sp. z o.o, share capital and needs for Polish zloty are ensured by a long-term loan from the European Investment Bank.

Analysis of financial and non-financial performance

The year 2019 is the first year of operation of the Company and the Group. During the period from 14 January 2019 to 31 December 2019, the Company and the Group earned revenues of EUR 1,947 thousand and EUR 10,076 thousand, respectively. Dividend income in the amount of EUR 1,870 thousand accounted for the largest part of revenues generated by the Company, meanwhile income related to generation and sale of electricity from wind farms predominated revenues of the Group and amounted to EUR 9,376 thousand.

During the period from 14 January 2019 to 31 December 2019, the Company's and the Group's operating expenses amounted to EUR 887 thousand and EUR 7,561 thousand, respectively. Salary related expenses of EUR 275 thousand, tax expenses of EUR 267 thousand and business support expenses of EUR 173 thousand constitute the main part of the Company's operating expenses. Amortisation and depreciation expenses of EUR 4,980 thousand, repair and maintenance expenses of EUR 1,041 thousand and tax expenses of EUR 533 thousand constitute the main part of the Group's operating expenses.

In 2019, the Company's and the Group's finance expenses amounted to EUR 809 thousand and EUR 1,451 thousand, respectively. The Company's and the Group's finance expenses consists substantially of interest expenses of EUR 809 thousand and EUR 1,318 thousand, respectively, related to loans received from Ignitis grupė UAB and Swedbank lizingas UAB.

Information on environmental and personnel-related matters

The Company's activities comply with the requirements stipulated in the environmental legislation.

As of 31 December 2019, the number of employees of the Company and the Group was 8 and 10, respectively.

References or additional explanations on the data provided for in the annual financial statements.

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

Information on own shares held or acquired by the Company, the number of own shares acquired or disposed of during the reporting period, their nominal value and percentage of authorised share capital they represent, and information on payment for own shares, provided they are acquired or disposed of in return for a consideration.

At the beginning of the reporting period, the Company had no own shares, nor acquired any during the reporting period.

Information on the Company's branches and representative offices

The Company has no branches and representative offices.

Significant events after the end of the reporting period

On 9 March 2020, the Company's subsidiary Pomerania Wind Farm Sp. z o.o. has entered into an agreement with the European Investment Bank (EIB) for the loan of PLN 258 million for the financing of the Pomerania Wind Farm project in Poland. Other key events after the end of the reporting period

Information on the other executive positions held by the Company's chief executive officer, members of the Board, and members of the Supervisory Board and the most significant information on their principal workplace

As at 31 December 2019, other current positions of the Company's chief executive officer and the members of the Board are presented in the table below.

Full name	Company and position (Group companies of Ignitis grupė UAB)	Other external companies and position
Aleksandr Spiridonov	<i>Principle workplace:</i> Ignitis renewables UAB (company code 304988904, registered office at P. Lukšio st. 5B, LT-08221 Vilnius) CEO . Pomerania Wind Farm Sp. z o.o. (company code 0000450928, registered office at 82/368 Grunwaldzka Street, 80-244 Gdańsk, Poland) Member of the Board.	The Lithuanian Wind Power Association (registered office at M.K. Čiurlionio st. 4, LT-03104 Vilnius), Member of the Board
Dominykas Tučkus	Ignitis Renewables UAB (company code 304988904, registered office at P. Lukšio st. 5B, LT-08221 Vilnius), Chairman of the Board <i>Principle workplace:</i> Ignitis grupė UAB (company code 301844044, registered office at Žvejų st. 14, LT-09310 Vilnius), Member of the Board, Director for Infrastructure and Development (until 31/01/2022) <i>Other executive positions:</i> - Ignitis gamyba AB (company code 302648707, registered office at Elektrinės st. 21, LT-26108 Elektrėnai), Chairman of the Supervisory Board Vilniaus kogeneracinė jėgainė UAB (company code 303782367, registered office at Žvejų st. 14, LT-09310 Vilnius) Chairman of the Board (from 21/10/2019); Ignitis UAB (company code 303383884, registered office at Žvejų st. 14, Vilnius Member of the Supervisory Board (from 01/06/2019);	
Jonas Rimavičius	Ignitis Renewables UAB (company code 304988904, registered office at P. Lukšio st. 5B, LT-08221 Vilnius) Member of the Board <i>Principle workplace:</i> Ignitis grupė UAB (company code 301844044, registered office at Žvejų st. 14, LT-09310 Vilnius), Head of Finance and Investment Management Department <i>Other executive positions:</i> NT Valdos UAB (company code 300634954, registered office at Smolensko st. 5, LT-03202 Vilnius), Member of the Board	

are disclosed in Note 27 to the Company and the Group's consolidated financial statements for the period from 14 January 2019 to 31 December 2019.

The Company's operation plans and forecasts

The Company and the Group will continue their activities in the area of operation of wind farms, electricity generation and sale, and development of existing wind and solar parks and acquisition of new ones.

Information on the Company's research & development activities

The Company is actively involved in the processes related to the development of a new offshore wind farm in the Baltic Sea region. The Company will pursue a steady expansion in Lithuania, the Baltic Sea region and Central and Eastern Europe through the acquisition of operating farms and the development of new to-be-constructed farm projects. The Company does not anticipate any other significant research and development activities.

Financial instruments in use

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



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

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

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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

To the Management of UAB Ignitis renewables

23 September 2020

Ernst & Young Baltic UAB has performed the audit of the financial statements of UAB Ignitis renewables (the “Company”) and the consolidated financial statements of UAB Ignitis renewables and its subsidiaries (hereinafter the Group) for the period 14 January 2019 to 31 December 2019. In this Letter we have included a translation of our auditor’s report from the original, which was prepared in the Lithuanian language.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

“INDEPENDENT AUDITOR’S REPORT

To the shareholder of UAB Ignitis renewables

Opinion

We have audited the separate financial statements of UAB Ignitis renewables (hereinafter the Company), and the consolidated financial statements of UAB Ignitis renewables and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2019, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements cash flows for the period 14 January 2019 to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and their cash flows for the period 14 January to 31 December 2019 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 and the Group 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 and Group’s 2019 Annual Report, other than the financial statements and our auditor’s report thereon. Management is responsible for the other information presentation.

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

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

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

- The financial information included in the Company's and Group's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- The Company's and Group's Annual Report was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and/or the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

Jonas Akelis
Auditor's licence
No. 000003

23 July 2020"

Jonas Akelis
Partner

GROUP'S STATEMENT OF FINANCIAL POSITION

For the period 14 January 2019 to 31 December 2019

All amounts in thousands of euro unless otherwise stated

Group's statement of financial position

	Notes	Group 31 December 2019
ASSETS		
Non-current assets		
Intangible assets	5	42,208
Property, plant and equipment	6	50,983
Right-of-use assets	7	42,306
Non-current receivables	9	1,473
Deferred tax asset	17	137
Total non-current assets		137,107
Current assets		
Prepayments and deferred expenses		147
Trade receivables	10	1,933
Other receivables	11	4,649
Cash and cash equivalents	12	19,885
Total current assets		26,614
TOTAL ASSETS		163,721

	Notes	Group 31 December 2019
EQUITY AND LIABILITIES		
Equity		
Issued capital	13	3
Share premium		44,697
Reserves		113
Retained earnings		829
Total equity		45,642
Liabilities		
Non-current liabilities		
Non-current loans	14	24,355
Lease liabilities	16	18,378
Deferred income tax liabilities	17	6,579
Total non-current liabilities		49,312
Current liabilities		
Current loans	14	60,083
Current portion of lease liabilities	16	4,846
Trade payables		518
Prepayments received		30
Income tax payable		598
Other current amounts payable and liabilities	18	2,692
Total current liabilities		68,767
Total liabilities		118,079
TOTAL EQUITY AND LIABILITIES		163,721

COMPANY'S STATEMENT OF FINANCIAL POSITION

For the period 14 January 2019 to 31 December 2019

All amounts in thousands of euro unless otherwise stated

Company's statement of financial position

	Notes	Company 31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment		2
Right-of-use asset		53
Investments in subsidiaries	8	96,609
Total non-current assets		96,664
Current assets		
Prepayments and deferred expenses		1
Other receivables	11	242
Current loans		512
Cash and cash equivalents	12	5,425
Total current assets		6,180
TOTAL ASSETS		102,844

	Notes	Company 31 December 2019
EQUITY AND LIABILITIES		
Equity		
Issued capital	13	3
Share premium		44,697
Retained earnings (loss)		592
Total equity		45,292
Liabilities		
Non-current liabilities		
Lease liabilities	16	33
Total non-current liabilities		33
Current liabilities		
Current loans	14	56,922
Current portion of finance lease liabilities	16	17
Trade payables		311
Other current amounts payable and liabilities	18	269
Total current liabilities		57,519
Total liabilities		57,552
TOTAL EQUITY AND LIABILITIES		102,844

Statement of profit or loss and other comprehensive income

	Note	Group	Company
		During the period 14 January 2019 to 31 December 2019	During the period 14 January 2019 to 31 December 2019
Revenue from contracts with customers	19	9,376	77
Other income		700	-
Dividend income	25	-	1,870
		10,076	1,947
Operating expenses			
Purchases of electricity, gas for trade and related services		(9)	-
Depreciation and amortization	5, 6, 7	(4,980)	(7)
Payroll and related expenses		(282)	(275)
Repair and maintenance expenses		(1,041)	-
Other expenses	20	(1,249)	(605)
Total operating expenses		(7,561)	(887)
Operating profit (loss)		2,515	1,060
Finance income	21	103	341
Finance expenses	22	(1,451)	(809)
Profit (loss) before tax		1,167	592
Income tax benefit (expenses) for the reporting period	23	(544)	-
Deferred tax benefit/(expenses)	17	243	-
Net profit		866	592
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into the Group's presentation currency		61	-
Items that may be reclassified to profit or loss in subsequent periods, total		61	-
Total other comprehensive income (loss)		61	-
Total comprehensive income (loss) for the period		927	592

Group's Statement of changes in equity

Group	Note	Issued capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Set-up of the Group's issued capital and share premium	13	3	11,174	-	-	15	11,192
Net profit for the reporting period		-	-	-	-	866	866
Exchange differences on translation of foreign operations into the Group's presentation currency		-	-	-	61	-	61
Total comprehensive income for the period		-	-	-	61	866	927
Transfer to reserves, movement in reserves		-	-	52	-	(52)	-
Increase of share premium	13	-	33,523	-	-	-	33,523
Balance as at 31 December 2019	13	3	44,697	52	61	829	45,642

Company's Statement of changes in equity

Company	Note	Issued capital	Share premium	Retained earnings	Total
Set-up of the Company's issued capital and share premium		3	11,174	-	11,177
Net profit for the reporting period		-	-	592	592
Total comprehensive income for the period		-	-	592	592
Increase of share premium	13	-	33,523	-	33,523
Balance as at 31 December 2019	13	3	44,697	592	45,292

STATEMENT OF CASH FLOWS

For the period 14 January 2019 to 31 December 2019

All amounts in thousands of euro unless otherwise stated

Statement of cash flows

	Notes	Group During the period 14 January 2019 to 31 December 2019	Company During the period 14 January 2019 to 31 December 2019
Cash flows from operating activities			
Net profit		866	592
Adjustments for non-monetary expenses (income)			
Depreciation and amortisation	5, 6, 7	4,980	7
Income tax expense	23	301	-
Elimination of results of investing activities:			
- Dividend (income)	25	-	(1,870)
- (Gain)/loss on disposal and/or write-off of property, plant and equipment		3	-
Elimination of results of financing activities:			
- Interest (income)	21	-	(315)
- Interest expenses	22	1,318	809
- Other (income)/expenses of financing activities		30	(26)
Changes in working capital:			
(Increase) decrease in trade receivables and other receivables	10, 11	(5,169)	(104)
(Increase) decrease in inventories, prepayments and other current assets		373	(1)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(649)	109
Income tax (paid)		(257)	-
Net cash flows from in operating activities		1,796	(799)

	Notes	Group During the period 14 January 2019 to 31 December 2019	Company During the period 14 January 2019 to 31 December 2019
Cash flows from in investing activities			
(Purchase) of property, plant and equipment and intangible assets	5, 6	(17,692)	(2)
Disposal of property, plant and equipment and intangible assets	5, 6	2	-
Loans (granted)	8	-	(26,009)
Loan repayments received	8	-	25,809
Investments in subsidiaries, less cash and cash equivalents acquired	8	(53,566)	(60,218)
Increase in issued capital of subsidiaries	8	-	(36,391)
Interest received		-	3
Dividends received	25	-	1,870
(Opening) closing term deposits		656	200
Net cash flows from in investing activities		(70,600)	(94,738)
Cash flows from in financing activities			
Loans received		57,526	56,922
Repayments of borrowings		(7,769)	-
Lease payments	16	(4,306)	(11)
Interest paid		(1,462)	(649)
Increase in issued capital		44,700	44,700
Net cash flows from financing activities		88,689	100,962
Increase (decrease) in cash and cash equivalents		19,885	5,425
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the year	12	19,885	5,425

1 General information

These financial statements cover the financial statements of a parent company Ignitis renewables UAB (hereinafter “the Company”) and the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively “the Group”), prepared for the reporting period 14 January 2019 to 31 December 2019 (hereinafter “the financial statements”).

Ignitis renewables UAB is a private limited liability company registered in the Republic of Lithuania. The Company’s registered office address is Žvejų st. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-oriented entity registered on 14 January 2019 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 304988904, VAT payer’s code LT100012186012. The Company has been founded for an indefinite period.

The Company is a parent company which is responsible for the analysis and coordination of activities of its legal entities engaged in the generation of electricity from renewable sources, and exercise of rights and obligations of the shareholder. When managing subsidiaries, the Company sets guidelines and rules for their activities, annual financial plans, annual rate of return on assets, maximum amounts of debt obligations, as well as other performance parameters of these companies. Information on the Group’s structure is provided in Note 8.

The Company is a part of a group of energy companies, which consists of legal entities directly and indirectly controlled by the ultimate shareholder – Ignitis grupė UAB, the parent company of the group of companies. Ignitis grupė UAB is the main controlling party of the Company, the sole shareholder of which is the Ministry of Finance of the Republic of Lithuania.

The Company is engaged in management of renewable energy projects in the Baltic States and Poland, and is responsible for the efficient operation of existing wind farms, maintenance of the wind farms under construction and development of new energy projects. Through new wind and solar power generation projects, the Company is pursuing strategic goal of Ignitis grupė UAB of expanding its green electricity generation portfolio.

Shares of the Company are owned by Ignitis grupė UAB.

Company’s shareholder	31 December 2019	
	Share capital, thousand EUR	%
Ignitis grupė UAB	3	100

As at 31 December 2019, the Group and the Company employed 10 and 8 employees, respectively, under current employment contracts.

The Company’s management prepared these financial statements on 23 July 2020. The Company’s shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of the Company’s and the Group’s financial statements are summarized below:

2.1 Basis of preparation

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

The financial statements of the Company and the Group are prepared on a going concern basis, and the amounts contained therein are presented by applying measurement based on historical cost.

Financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000) unless stated otherwise. The Company and the Group’s financial statements do not provide comparative information in respect of the previous period, because the Company and the Group was established on 14 January 2019.

These consolidated financial statements of the Company and the Group are being prepared for the first time.

2.2 New standards, amendments and interpretations, adopted for application

No new International Financial Reporting Standards became effective during the reporting period.

[New standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020](#)

IFRS 17: Insurance Contracts (New)

(Issued on 18 May 2017 with effective date of 1 January 2023)

IFRS 17 supersedes IFRS 4, which permits entities to continue to use current practices in accounting for insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principle-based standard that sets out accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The Standard requires the recognition and measurement of classes of insurance contracts: (i) risk-adjusted present value of future cash flows (cash flows from the performance of the contract), which reflects all available information about cash flows from the contract that is consistent with market observable data by adding (if the value is a liability) or subtracting (if the value is an asset); (ii) the amount reflecting unearned profit (contracted service margin) from the group of contracts. Profits from a group of insurance contracts will be recognized by insurers for the duration of the insurance coverage and the moment they transfer the risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been endorsed by the EU. This IFRS will not have any impact on the financial position or performance of the Group and the Company as insurance services are not provided.

Amendments to References to the Conceptual Framework in IFRS Standards

(Issued on 29 March 2018 with effective date of 1 January 2020)

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The IAS Board (IASB) has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its purpose is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The Amendments have been endorsed for use in the European Union. These Amendments will have no impact on the Group and the Company’s financial statements.

*The amendments to IFRS 3: Definition of a Business
(Issued on 22 October 2018 with effective date of 1 January 2020)*

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The Amendments have been endorsed for use in the European Union. These amendments had no impact on the financial statements of the Group and the Company, however, may affect future periods if the Company enters into business combinations.

*Amendments to IAS 1 and IAS 8: Definition of Material
(Issued on 31 October 2018 with effective date of 1 January 2020)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with earlier adoption permitted. The amendments clarify the definition of 'material' and how it should be applied. New definition clarifies that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' 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 been endorsed for use in the European Union. These amendments had no impact on these financial statements, nor is there expected to be any impact on the Company in the future.

*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
(Issued on 26 September 2019 with effective date of 1 January 2020)*

Amendments to IFRS 9, IAS 39 and IFRS 7 brings to a conclusion phase one of the IASB's 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 rate (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. In the opinion of the Group's management, these Amendments will have no impact on the Group and the Company's financial statements. The Amendments have been endorsed for use in the European Union.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current
(Issued on 23 January 2020 with effective date of 1 January 2022)*

The amendments are effective for annual reporting periods beginning on or after 1 January 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 liabilities that could result in its settlement by the transfer of the entity's own equity instruments. The Company and the Group are currently assessing the impact of this amendment on their financial statements. These Amendments have not yet been endorsed for use in the European Union.

*Amendments to IFRS 3, IAS 16 and IFRS 37 and annual improvements: Narrow-Scope Amendments
(Issued on 14 May 2020 with effective date of 1 January 2022)*

The amendments clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3, Business Combinations, update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, Property, Plant and Equipment, prohibit a company from deducting amounts from the cost of property, plant and equipment received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples accompanying IFRS 16, Leases.

These Amendments have not yet been endorsed for use in the European Union. The Group's management is currently assessing the impact of these amendments on the Group and the Company's financial statements.

*The amendments to IFRS 16: COVID-19-Related Rent Concessions
(Issued on 28 May 2020 with effective date of 01 June 2020)*

These amendments provide lessees with an exemption from assessing whether a COVID-19-related rent concession/discount is a lease modification. The following amendments have been made:

- A lessee will not be required to assess whether a rent concession or discount is a lease modification.
- Lessees that apply this exemption will be required to account for rent concessions as if they were not lease modifications.
- Lessees that apply this exemption will be required to disclose that fact in their financial statements.
- The exemption will be required to apply retrospectively in accordance with IAS 8 without restating prior period figures. Instead, any difference arising on initial application of the amendment will be recognised in opening retained earnings.

These Amendments have not yet been endorsed for use in the European Union. Management has assessed that adoption of new standard will have no significant effect on the Group and the Company's financial statements.

*The amendments to IFRS 17: The effective date of IFRS 17 deferred by two years.
(Issued on 25 June 2020 with effective date of 1 January 2023)*

The amendments are intended to help companies implement the standard and help them clarify their financial performance. The amendments are made in the following main areas of the standard:

- Deferral of the effective date of IFRS 17 and IFRS 9 for insurers by two years
- Scope of the standard
- Expected recovery of insurance acquisition cash flows from insurance contract renewals
- Contractual service margin relating to investment activities
- Applicability of the risk mitigation option for contracts with direct participation features
- Reinsurance contracts held — expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position
- Additional transition reliefs

In addition to the above changes, the amendments also include several other (minor) amendments and editorial changes to IFRS 17.

The amendments to IFRS 4: Deferral of the effective date of IFRS 9 for insurers by two years (Issued on 25 June 2020 with effective date of 1 January 2021)

The amendments relate to the objective of aligning the effective dates of IFRS 9 and IFRS 17. IFRS 4 requires eligible insurers to apply IFRS 9. These standards will have to be applied by eligible insurers financial periods beginning on or after 1 January 2023.

Amendments to IAS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments). (Issued on 11 September 2014 without the date of entry into force)

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 International Accounting Standards Board (hereinafter – the IASB) postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. According to the Company's management, adoption of the amendments will have no significant impact on the Group and the Company's financial statements.

2.3 Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the parent company Ignitis renewables UAB and its directly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the parent company. On consolidation, all inter-company transactions, balances and unrealized gains and/or losses on transactions among the Group companies are eliminated.

2.4 Business combinations

Business combination applying IFRS 3 (subsidiaries that are not under common control)

Acquisition of subsidiaries that are not under common control is accounted for using the acquisition method. When the acquisition method is applied the consideration transferred in a business combination is measured as fair value of net assets transferred to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable net assets assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Contingent consideration

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Business combination is achieved in stages

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:

- (a) the acquisition method set out in IFRS 3 or;
- (b) the pooling of interests' method.

In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Acquisition of subsidiaries under IFRS 3, Business Combinations (that are not under common control)", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

- the assets and liabilities of the entities in business combinations are stated at their carrying amounts equal to those reported in the consolidated financial statements of the ultimate parent company;
- no newly arising goodwill is recognized on a business combination, however acquiree can recognize intangible assets that meets recognition criteria in IAS 38;
- any differences between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognized directly in equity within retained earnings.

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

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

subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5 Investments in subsidiaries (the Company)

A subsidiary is an entity directly or indirectly controlled by a parent company. Investments in directly controlled subsidiaries are stated in the parent company's statement of financial position at acquisition cost less impairment loss, where the investment's carrying amount in the parent company's statement of financial position exceeds its estimated recoverable amount. Contingent consideration is included to acquisition cost at its fair value as at acquisition date. Afterwards, decrease/increase in consideration payable is accounted through profit or loss and may trigger impairment test for investment in the subsidiary.

2.6 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter 'the functional currency'). The consolidated financial statements are presented in the euros (EUR), which is also the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

2.7 Intangible assets

Licenses

Licenses are stated at acquisition cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are accounted at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is calculated using a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis. For the license acquired in a business combination (license to produce electricity with incentive tariff), useful life is determined to be from 4 to 15 years.

2.8 Property, plant and equipment

Property, plant and equipment is accounted at acquisition cost less accumulated depreciation and impairment. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable acquisition taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs attributable to bringing the to the location and condition necessary for it to be capable of operating, including costs of employee benefits, as well as delivery, installation, assembly, and testing are included in the cost of acquisition if those expenses meet the criteria for recognition.

Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment).

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the costs can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Property, plant and equipment also include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment. The minimum value of property, plant and equipment applied by the Group is diversified according to the categories of assets.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost to their residual values over their estimated useful lives (number of years), as follows:

Category of property, plant and equipment	Useful lives (number of years)
Buildings	20
Wind power plants	20
IT and telecommunication equipment	3

The assets' residual values and useful lives are reviewed, and adjusted retrospectively, if appropriate.

Land is stated at cost less accumulated impairment losses, if any. Land is not depreciated.

When property plant and equipment is written-off or otherwise disposed of, the acquisition cost and related accumulated depreciation are derecognized and any related gains or losses are recognised in the profit or loss in the statement of profit or loss and other comprehensive income. Gains or losses

on disposal of property, plant and equipment are determined as proceeds received on disposal less the net book value of assets disposed.

Construction in progress is measured at cost less accumulated impairment losses, if any. Construction in progress is transferred to appropriate categories of property, plant and equipment when it is completed and ready for its intended use. Expenses of employee benefits and interest on loans are also capitalised to the acquisition cost of construction in progress, if these expenses meet the criteria for recognition.

2.9 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Group/Company to use the leased asset over the life of a lease. The Group/Company recognizes a right-of-use asset for all types of leases, including sub-lease of right-of-use assets, with the exception of leases of intangible assets, short-term leases and leases of low-value assets.

Initial measurement of right-of-use assets

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

Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company/Group measures the right-of-use asset using the cost model. Under the cost model, the Company/Group 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/Group under the depreciation requirements of IAS 16, Property, Plant and Equipment.

If ownership of the leased asset transfers to the Group/Company at the end of the lease term or the cost reflects the exercise of a purchase option. The Group/Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company/Group depreciates 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 Group/Company does not apply IAS 16, Property, Plant and Equipment, to leases of intangible assets.

The Group and the Company presents rights-of-use assets separately from Property, plant and equipment in the statement of financial position.

2.10 Impairment of non-financial assets

At each reporting date, the Group/Company reviews the net book values of its property, plant and equipment to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit.

2.11 Financial assets

The Company/Group recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised using trade date accounting.

At initial recognition, the Company/Group measures financial assets at fair value, except for trade receivables that do not have a significant financing component. When financial asset is not measured at fair value through profit or loss, it is initially measured at fair value plus transaction costs that are directly attributable to the acquisition of a financial asset. If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

Transaction costs comprise all charges and commission fees that the Company/Group would not have paid if it had not entered into an agreement on the financial instrument.

The Company and the Group classify their financial assets into the following three new categories:

- (i) financial assets subsequently measured at amortised cost;
- (ii) financial assets subsequently measured at fair value through other comprehensive income; and
- (iii) financial assets subsequently measured at fair through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company/Group applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group/Company. The intentions of the Group/Company's management regarding separate instruments has no effect on the applied business model. The Group/Company may apply more than one business model to manage its financial assets.

The Group/Company has no financial assets that are measured at fair value through other comprehensive income in subsequent periods, neither do they have any financial assets that are measured at fair value through profit or loss in subsequent periods.

The accounting for financial assets subsequently measured at amortised cost is as follows:

Financial assets measured at amortised cost

Loans granted by the Company/Group, amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

These assets are stated at amortised cost using the actual interest method. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. Effective interest rate method is a method applied to allocate interest income over the relevant period so as to achieve a constant periodic rate of interest (effective interest) on the carrying amount. The effective interest rate exactly discounts estimated future cash inflows or outflows (excluding future expected credit losses) to gross carrying amount of the financial instrument over the expected life of the financial instrument or a shorter period, if necessary.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

Assets held in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) are carried at amortised cost. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss and other comprehensive income. Impairment losses are accounted for as impairment and write-off expenses in the statement of profit or loss and other comprehensive income.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

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

Impairment of financial assets: Expected credit losses

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

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

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company/Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

For current trade receivables without a significant financing component the Company/Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit

losses from initial recognition of the receivables.

The Group's trade receivables consists only of amounts receivable from the Designated Entity, which purchases electricity produced from renewable resources (Note 2.18). The management applies an individual assessment of expected credit losses to assess impairment of trade receivables.

The Company's/Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Derecognition of financial assets.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
 - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
 - if control is retained, it shall continue to recognise the financial asset to the extent of continuing involvement in the financial asset.

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Issued capital

Ordinary shares are recognized in equity (equity capital).

When an entity acquires its own shares, the shares acquired are deducted from equity. For the purpose of the statement of profit or loss and other comprehensive income, no gain or loss is recognised on the purchase, sale, issue or cancellation of the entity's own equity instruments.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.14 Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other comprehensive income and other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value, less transaction costs. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for more than 12 months after the reporting date. If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a

new liability. The difference between the respective balances is recognised in the statement of profit or loss and other comprehensive income.

2.15 Lease liabilities

Accounting policy of the Group and the Company as Lessees

Initial measurement of lease liability

At the commencement date, the Group / Company measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the interest rate implicit in the lease cannot be readily determined, the Group/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 Group/Company 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 Group/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 of lease liability

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

Remeasurement of lease liability

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The Group/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, the Company/Group recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Group/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 Group/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 Group/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 Group/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 Group/Company remeasures the lease liability by discounting the revised lease payments using the original incremental borrowing rate, if either:

- there is a change in the amounts expected to be payable by the Group/Company under a residual value guarantee. The Group/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 Group/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 Group/Company determines the revised lease payments for the remainder of the lease term based on the revised contractual payments.

The Group/Company uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group/Company uses a revised discount rate that reflects changes in the interest rate.

Lease modifications

The Group/Company accounts 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 Group/Company performs the following:

- 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 Group/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 Group/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 Group/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 expenses, which is presented in the statement of profit or loss and other comprehensive income.

2.16 Current and deferred income tax

Income taxes

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the balance sheet date.

Current income tax is calculated on profit before tax. The income tax is calculated in accordance with tax legislation. Standard corporate income tax rate of 15% is applicable in Lithuania (as at 31 December 2018 – 15%), in Poland – 19% (as at 31 December 2018 – 19%).

In Lithuania, tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. Such carrying forward is disrupted if the Company/Group changes its activities due to which these losses incurred except when the Company/Group does not continue its activities due to reasons which do not depend on Company/Group itself. The losses from disposal of securities and/or derivatives can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. The tax loss carried forward cannot exceed 70% of the current financial year taxable profit.

The prepaid income tax and recognized income tax liabilities are offset in the statement of financial position of the Company/Group when they relate to the same taxation authority.

Deferred income tax

Deferred income tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences

arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred income tax assets could be utilised in full or in part. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Current and deferred income tax for the reporting period

Current and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

Transfer of accrued tax losses

Upon transfer of the accumulated tax losses, the Group companies derecognise deferred tax on the tax loss carried forward and recognizes the consideration receivable in the statement of profit or loss and other comprehensive income under 'Deferred income tax expense' caption. The consideration received is presented in the cash flow statement under 'Income tax (paid)'.

2.17 Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to

encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Group and the Company's other comprehensive income. All past service costs are recognised immediately.

2.18 Revenue recognition

The Group and the Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

- (i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and
- (ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Group's major legal performance obligations identified in the contracts with customer are: sale of electricity and provision of Public Service Obligations (hereinafter "the PSO services").

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

When recognising revenue, the Group and the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

Revenue from contracts with customers

The Group is engaged in electricity generation in wind power plants, which are subject to measures promoting the use of renewable energy sources, including flat rate and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation. The electricity purchase services are provided by Ignitis gamyba AB, an electricity company designated by the Ministry of Energy of the Republic of Lithuania (hereinafter "the designated entity") and the group company of Ignitis grupė UAB. The electricity purchased is traded through a day-ahead trading platform on the power exchange Nord Pool. Trading on the Exchange is carried out by the designated entity. Take-up, transmission and distribution of electricity is carried out by the electricity transmission system operator Litgrid AB.

Electricity generation from renewable energy sources is considered a public service obligation (hereinafter "PSO") and financed through the PSO budget. Incentives of the Government of the Republic of Lithuania for generators are set for a period of 12 years (Poland sets the period of 15 years) from the date of issue of the generation permit, granting the generator premium in addition to the market price, i.e. the difference between the fixed tariff and the market price.

The fixed tariff applies for the same period as the incentive. The obligation of the Designated Entity to purchase electricity from the Group companies is established for the period during which the electricity generation facilities of the Group companies are connected to the electricity transmission

grid, and the Group companies are entitled to apply a fixed tariff for the electricity generated from renewable sources.

The Group companies generating electricity are entitled to the following incentives:

Group company	Fixed tariff, EUR/MWh	Capacity, MW	Expiry of the incentive measure
Eurakras UAB	71	24	1 December 2027
Vėjo Gūsis UAB	86.9	19	22 March 2022 (9 MW) 31 December 2022 (10 MW)
Vėjo vatas UAB	86.9	15	1 October 2023

Upon expiration of the incentive, the Group companies participate in a new auction for the allocation of a new fixed tariff (Eur/MWh) and a promotion quota (MW). The permission to generate electricity are issued for an indefinite period.

The Group's performance obligations set out in the agreement with the Designated Entity are as follows:

- Sale of electricity
- Provision of the PSO services

Revenue is recognised when control of electricity is transferred to the Designated Entity at an amount that reflects the consideration to which the Group expects to be entitled in exchange for this electricity supplied to the grid. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with the Designated Entity.

When recognising revenue, the Group takes into consideration terms of contracts and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract.

Revenue from sales of electricity produced using own resources and PSO services

Revenue from sales of electricity produced using own resources is recognized at the end of the month. VAT invoices show the amount of electricity supplied to the electricity grid in the current month and the price of electricity per 1 MWh. The amount of electricity supplied is determined by the readings of metering devices.

The price of electricity supplied during the current month includes:

- the weighted average price of electricity (i.e. the market price) calculated and declared to the Group by the Designated Entity based on the sales of electricity purchased on the power exchange market Nord Pool during the previous month;
- the amount of PSO funds, which is calculated as the difference between the fixed tariff set by the National Energy Regulatory Council (hereinafter "the NERC") and the weighted average price of electricity.

Upon confirmation of a transaction executed by the Designated Company on the power exchange, the system of the power exchange forwards the confirmation of the concluded electricity sale transaction to the Group. Under this transaction, the Group fulfils its operational obligations by supplying the amount of electricity specified in the transaction confirmation to the electricity transmission grid. The performance obligations are to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the grid. The progress of fulfilment of the performance obligation is assessed on the basis of data of metering devices.

The total consideration for the transaction is equal to the volume of electricity supplied to the grid multiplied by the market price, plus a difference equal to the volume multiplied by the cost of the PSO funds. The entire consideration is payable at a flat rate and does not include any other price components. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue from the sale of electricity and PSO funds is recognized as revenue under the "Revenue from contracts with customers" in a statement of profit or loss and other comprehensive income.

Payment of the invoice is due within 30 days from the invoice date.

Management fee income

The Company is engaged in management of subsidiaries, which is the Company's primary performance obligation under the agreements with its subsidiaries. The management fee is a flat rate calculated on an hourly basis. Performance obligation is settled during the period. VAT invoices are issued on a monthly basis.

Contract assets and liabilities

The Group and the Company has no contract assets and liabilities.

Other revenue sources

Interest income

The Company's interest income is recognised at amortised cost on accrual basis, considering the outstanding balance of debt and the applicable interest rate. Interest received (excl. VAT) is recorded in the statement of cash flows as cash flows from investing activities.

Expense recognition

Expenses are recognised in the statement of profit or loss and other comprehensive income as incurred by the accrual method.

Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

2.19 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed 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.

2.21 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in the notes to the financial statements.

2.22 Related parties

Related parties are defined as shareholders, heads of administration and their deputies, their close family members, state-owned enterprises and companies that directly or indirectly (through the intermediary) control the Group or are controlled by, or are under common control with the Group, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

2.23 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

2.24 Fair value

Fair value is defined as 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. There are three levels in the fair value hierarchy:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value of assets is based on other observable market data, directly or indirectly.
- Level 3: fair value of assets is based on non-observable market data.

3 Management of financing risks

3.1 Financial risk factors

The Group and the Company are exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Group companies seek to mitigate the impact of factors which could adversely affect the Group

and the Company's financial performance results.

Market risk

Foreign exchange risk

The sale/purchase contracts of the Group and the Company are mainly denominated in the euro. Foreign exchange risk is characteristic to works and service contracts concluded by Pomerania Wind Farm Sp. Z o.o. and denominated in the Polish zloty. Aiming to reduce foreign exchange risk, the Group seeks to purchase the Polish zloty or the euro from credit institutions on the most favourable terms and to maintain the required cash balance in different currencies.

As the subsidiary Pomerania Wind Farm Sp. Z o.o. whose assets and liabilities are denominated in the Polish zloty expands further, the Group may be exposed to foreign exchange risk in the future due to fluctuations in the exchange rates of the Polish zloty and the euro. The Group has not entered into the PLN/EUR exchange rate swaps. As the group expands in Poland, management will consider entering into exchange rate swaps.

Interest rate risk

The Group's income and cash flows are affected by fluctuations in market interest rates because the Group's borrowings had fixed and variable interest rates as at 31 December 2019.

Interest rate risk is substantially related to the risk that the interest rate of the credits held by the Company and the Group might be subjected to adverse changes. Whereas, however, variable interest rate loans represent a small proportion of the Group's total loans and variable interest rates are largely dependent on EURIBOR, the rate of which has been negative or close to zero in recent years, the management believes that risk associated with variable interest rate is not significant.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. As at 31 December 2019, all non-current loans have a fixed interest rate.

Fair values of financial instruments

Fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amount of the Group and the Company's financial assets and financial liabilities measured at amortised cost approximated their fair value. Financial instruments are attributed to Level 3 of the fair value hierarchy, except for cash attributable to Level 1 (Note 2.24).

Credit risk

The Group's and the Company's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents, loans granted).

The Group's credit risk related to trade receivables is considered insignificant, because all amounts of trade receivables are billed to a single company of the Group – Ignitis gamyba AB, which is the company designated by the Ministry of Energy of the Republic of Lithuania to purchase electricity generated (Note 2.18).

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

As at 31 December 2019. The maximum exposure to credit risk equals to the carrying amount of the financial assets.

The table below summarises the Group and the Company's financial assets by category:

	Notes	31 December 2019	
		Group	Company
Financial assets measured at amortised cost:			
Non-current receivables	9	1,473	-
Trade receivables	10	1,933	-
Other receivables	11	221	242
Current loans		-	512
Cash and cash equivalents	12	19,885	5,425
Total		23,512	6,179

Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities to support Group's ordinary activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2019, the Group's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories)/total current liabilities) were 0.387 and 0.387 respectively. As at 31 December 2019, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 3,078 thousand.

As at 31 December 2019, the Company's current ratio (total current assets/total current liabilities) was 0.107. As at 31 December 2019, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 3,078 thousand.

When addressing the issue of liquidity of the Group and the Company, the Treasury Management Department of Ignitis grupė UAB notified the Company by electronic notification of 4 June 2020 that it agrees with the extension of the repayment deadline from 31 August 2020 to 31 August 2021 of the short-term loan issued by Ignitis grupė UAB, with a book value of approx. EUR 56 million as at 31 December 2019. As a result, the management believes that the underlying cause of the liquidity risk in the short term is contained.

The table below summarises the Group's and the Company's financial liabilities by category:

	Notes	31 December 2019	
		Group	Company
Amounts payable measured at amortised cost			
Loans	14	84,438	56,922
Lease liabilities	16	23,224	-
Trade payables		518	311
Other current payables and liabilities	18	2,692	269
Total		110,872	57,502

The tables below summarise the maturity profile of the Group and the Company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	Group				Total
	Up to 3 month	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	16,340	46,371	2,835	26,481	92,027
Lease liabilities	1,255	3,765	9,807	10,407	25,234
Trade payables and non-current amounts payable to suppliers	518	-	-	-	518
Other payables	2,691	-	-	-	2,691
31 December 2019	20,804	50,136	12,642	36,888	120,470

	Company				Total
	Up to 3 month	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	14,797	43,735	-	-	58,532
Lease liabilities	5	14	34	-	53
Trade payables and non-current amounts payable to suppliers	311	-	-	-	311
Other payables	269	-	-	-	269
31 December 2019	15,382	43,749	34	-	59,165

3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 40 thousand, the issued capital of a private limited liability company must be not less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2019, foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. The Company and all the Group companies complied with these requirements.

When managing the capital risk in a long run, the Group seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of

the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

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

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

The Group's management calculates EBITDA as follows:

Revenue (Note 19) -
Operating expenses +
Depreciation and amortization expenses (Notes 5, 6 and 7) +
Impairment of non-current assets +
Write-off expenses of non-current assets

EBITDA

4 Critical accounting estimates and judgements used in the preparation of the financial statements

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

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on these stand-alone financial statements of the Company and consolidated financial statements of the Group.

4.1 Acquisitions under common control

When accounting for subsidiaries (Vėjo vatas UAB, Vėjo gūsis UAB, Eurakras UAB ir VVP Investment UAB) acquired from a shareholder of the Company during the financial period that fall under the definition of common control, the management assessed whether there is a commercial substance for these business combinations. The following areas were taken into consideration:

- The purpose of the transaction. Ignitis grupė UAB implements the goals provided for in the LE 2030 Strategy in line with the green generation area: development of electricity generation capacities using wind, solar, biofuels and waste as energy resources, the scope of which is consistent development in Lithuania, the Baltic Sea and Central and Eastern Europe by acquiring operating power plants and developing new projects. The targets set out in the LE 2030 Strategy are collection of technological experience and establishment of the centre of green energy and management expertise, adaptation of the model for standardised development and management of wind and solar parks to all operating regions, as well as integrated solutions with new commercial services. Due to this reason, the Company was established as a holding of renewable energy resources. On 28 March 2019, the Company concluded the share sale-purchase agreements with Ignitis grupė UAB to acquire 100% interest in the ordinary intangible shares of Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB, and VVP Investment UAB.
- Concluded that all the acquired companies are operating;
- Concluded that transaction was executed at market values. The said subsidiaries were acquired from Ignitis grupė UAB for the consideration estimated based on the assessment made by the independent business appraiser.

After evaluating the above information, the management has determined that these transactions have a commercial substance and, therefore, the principles of IFRS 3 and the acquisition method should be applied to these business combinations.

4.2 Impairment review for property, plant and equipment, intangible assets and right-of-use assets

At least once a year the Group assesses whether there is any indication that the carrying amount of property, plant and equipment, intangible assets and right-of-use assets recorded at acquisition cost could be impaired. If that is the case, the Group makes an impairment test.

As at 31 December 2019, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. After reviewing these factors, management did not identify any indications that the above assets may be impaired and, therefore, chose not to perform an impairment test.

4.3 Impairment test for investments into subsidiaries

As at 31 December 2019, the Company's management carried out an impairment test to determine the existence of indications of impairment for investments into subsidiaries with reference to the external factors (changes in economic and regulatory environment, market composition, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment of investments into subsidiaries and receivables.

Having identified impairment indications for investments in subsidiaries as at 31 December 2019, the Company performed impairment testing for the following subsidiaries: Eurakras UAB, Vėjo vatas UAB, Vėjo gūsis UAB. Impairment indication is determined when at least one of the following indicators are met (except for early stage companies):

1. Actual EBITDA is less than budgeted EBITDA
2. Actual net profit is less than dividends paid
3. Carrying value of investment is higher than carrying value of equity.

Eurakras UAB. Vėjo vatas UAB. Vėjo gūsis UAB

The subsidiaries Eurakras UAB, Vėjo vatas UAB, Vėjo gūsis UAB were engaged in commercial activity as at 31 December 2019. The Company performed impairment tests of investments in subsidiaries Eurakras UAB, Vėjo vatas UAB, and Vėjo gūsis UAB and determined no impairment in respect of the investments in these subsidiaries as at 31 December 2019.

The impairment test was performed using the discounted cash flow method. The cash flow forecast covered the period from 2020 to 2040–2045 assuming that the normal lifespan of a wind farm may be a period of up to 25 years. The Group's wind power plants, a group of property, plant and equipment, are depreciated over their useful lives, i.e. over 20 years, based on their estimated useful lives. The discounted cash flow analysis covers a longer period (approx. 5 years) because it is assumed that future repair costs for wind power plants will extend the service life and the wind power plants will generate electricity for sale. In addition, the following assumptions were applied:

1. The study of the wind power farm prepared by a third party or actual volume of production (depends on wind farm).
2. During the first twelve years of operation, the price of electricity was equal to agreed tariff. At the end of the fixed tariff period, the third-party electricity price forecast is used.
3. The cash flows were discounted using a discount rate (weighted average cost of capital after tax) of 4.7%.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the value of the Company's investments.

Pomerania Wind Farm Sp. z o.o.

The subsidiary Pomerania Wind Farm Sp. z o.o. did not perform any business activity as at 31 December 2019. Pomerania Wind Farm Sp. z o.o. develops a wind farm project in Poland, the construction work on the project was launched in the Q2 of 2019, whereas the commercial operations should commence in 2021. In November 2018, Pomerania Wind Farm Sp. z.o.o. won a promotional tariff for a period of 15 years.

In the light of past events, current conditions and forecasts of expected economic conditions as at 31 December 2019, the Company's management did not identify any indications of impairment for the investment in this subsidiary as at 31 December 2019.

VVP Investment UAB

The subsidiary VVP Investment UAB did not perform any business activity as at 31 December 2019. Wind farm construction drafting activities are carried out in the company, the construction of the park is planned to start in 2020 and finish in 2022.

In the light of past events, current conditions and forecasts of expected economic conditions as at 31 December 2019, the Company's management did not identify any indications of impairment for the investment in this subsidiary as at 31 December 2019.

4.4 Impairment test for goodwill in the Group's accounts

The Company performed the impairment test for EUR 1,204 thousand goodwill recognised on acquisition of subsidiary Eurakras UAB, for EUR 1,897 thousand goodwill recognised on acquisition of VVP Investment UAB and for EUR 2,061 thousand goodwill recognised on acquisition of subsidiary Pomerania Wind Farm Sp. z o.o. The test showed no impairment as at 31 December 2019. The key assumptions are in line with those mentioned in Note 4.3.

4.5 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether statutory and contractual servitudes are in scope of IFRS 16, Lease, and concluded that statutory and contractual servitudes are not in scope of IFRS 16, Lease, since both statutory and contractual servitudes are not limited in time and can be used by the Group for an indefinite period of time.

4.6 Leases – determining the lease term and estimating the incremental borrowing rate

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Group usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause, after which the lessee has a pre-emptive right to extend the lease. The periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities (Note 16). The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

4.7 Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. However, other factors, such as technical or commercial obsolescence and physical wear and tear, result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following key factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions (Note 2.7, 6).

4.8 Assessment of the going concern assumption

The financial statements of the Company and the Group are prepared on a going concern basis. As at 31 December 2019, the Company and the Group's liquidity ratio and quick ratio were low (Note 3.1), therefore, the Company and the Group's ability to continue as a going concern was assessed by the Company and the Group's management when preparing the financial statements. In making this consideration, the management has taken into account facts such as (i) the Group and the Company's net result for the reporting period is a profit; (ii) the Company and the Group has full access to funding of the group of Ignitis grupė UAB, (iii) the Treasury Management Department of Ignitis grupė UAB notified the Company by electronic notification that it agrees with the extension of the repayment deadline from 31 August 2020 to 31 August 2021 of the short-term loan issued by Ignitis grupė UAB, with a carrying amount of approx. EUR 56 million as at 31 December 2019, and (iv) the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 3,078 thousand. After assessing these facts, the management has come to the conclusion that the above circumstances will not have a material adverse effect on the Company and the Group's ability to continue as a going concern.

5 Intangible assets

Movement of Group's intangible assets during the reporting period:

Group	Other intangible assets	Goodwill	Total
Opening net book value	-	-	-
Assets identified during acquisition of subsidiaries	38,560	5,162	43,722
Amortisation	(1,514)	-	(1,514)
Net book value as at 31 December 2019	37,046	5,162	42,208
31 December 2019			
Acquisition cost	38,560	5,162	43,722
Accumulated amortisation	(1,514)	-	(1,514)
Net book value	37,046	5,162	42,208

Other intangible assets

The following amounts were reported in other non-current assets as at 31 December 2019:

- The license of the subsidiary Eurakras UAB to produce electricity with an incentive tariff, the value of which was EUR 9,964 thousand as at 31 December 2019.
- The license of the subsidiary Vėjo gūsis UAB to produce electricity with an incentive tariff, the value of which was EUR 1,069 thousand as at 31 December 2019.
- The license of the subsidiary Vėjo vatas UAB to produce electricity with an incentive tariff, the value of which was EUR 1,583 thousand as at 31 December 2019.
- The license of the subsidiary Pomerania Wind Farm Sp. z o. o. to produce electricity with an incentive tariff, the value of which was EUR 24,430 thousand as at 31 December 2019.

Goodwill

As at 31 December 2019, the Group accounted for goodwill associated with the acquisition of the following subsidiaries:

- Eurakras UAB – EUR 1,204 thousand
- VVP Investment UAB – EUR 1,897 thousand
- Pomerania Wind Farm Sp. z o. o. – EUR 2,061 thousand

As at 31 December 2019, the Group did not have any fully amortised intangible assets.

6 Property, plant and equipment

Movement of the Group's Property, plant and equipment during the reporting period:

Group	Land	Buildings	Wind power plants and their installations	IT and telecommunication equipment	Other property, plant and equipment:	Construction-in-progress	Total
Opening net book value	-	-	-	-	-	-	-
Additions	-	-	-	-	5	19,315	19,320
Assets identified during acquisition of subsidiaries	1,347	506	26,673	6	2	4,357	32,891
Disposals	-	-	-	(3)	(2)	-	(5)
Depreciation	-	(24)	(1,196)	(3)	-	-	(1,223)
Net book value as at 31 December 2019	1,347	482	25,477	5	-	23,672	50,983
31 December 2019							
Acquisition cost	1,347	602	31,842	7	-	23,672	57,470
Accumulated depreciation	-	(120)	(6,365)	(2)	-	-	(6,487)
Net book value	1,347	482	25,477	5	-	23,672	50,983

The Group has no fully depreciated assets still in use. During the reporting period, the Group companies capitalised EUR 330 thousand of interest expenses on loans for capital investments. The average capitalised interest rate was 2.75% in 2019.

The Group has significant commitments to purchase property, plant and equipment to be fulfilled in later periods. As at 31 December 2019, the Group's commitments to purchase and construct property, plant and equipment amounted to EUR 78,399 thousand. As at 31 December 2019, all the Group's property, plant and equipment were not pledged to banks, credit institutions, etc.

7 Right-of-use assets

The Group's right-of-use assets

Movement of the Group's right-of-use assets during the reporting period:

	Land	Buildings	Structures and machinery	Wind power plants	Vehicles	Total
Opening net book value	-	-	-	-	-	-
Additions	9,553	77	-	-	33	9,663
Assets identified during acquisition of subsidiaries	135	-	8,052	26,729	7	34,923
Write-offs	-	(30)	-	-	(7)	(37)
Depreciation	(6)	(6)	(545)	(1,685)	(1)	(2,243)
Net book value as at 31 December 2019	9,682	41	7,507	25,044	32	42,306
31 December 2019						
Acquisition cost	9,692	44	8,233	27,290	33	45,292
Accumulated depreciation	(10)	(3)	(726)	(2,246)	(1)	(2,986)
Net book value	9,682	41	7,507	25,044	32	42,306

The Group has leases on 31 wind power plants, including infrastructure and equipment. Five leases are valid until 28 February 2021, the remaining – until 28 February 2022. Interest rate applicable as at 31 December 2019 was 1,050%.

Majority of the Group's land lease agreements were concluded by the subsidiary Pomerania Wind Farm Sp. z o.o. with the expiry until 2049, the interest rate ranging from 3 to 3.3%, and the carrying amount of the lease liability of EUR 7,166 thousand as at 31 December 2019. Part of the Group's land lease agreements were also concluded by the subsidiary VVP Investment UAB with the expiry until 2112, the interest rate of 2.43%, and the carrying amount of the lease liability of EUR 1,648 thousand as at 31 December 2019.

The Group's lease related expenses are recognised in the statement of profit or loss and other comprehensive income during the reporting period as follows:

	Group
Depreciation	2,243
Estimated interest (discount) expenses (finance expenses)	164
Current lease expenses (other expenses)	38
Leased asset written-off (finance expenses)	37
Lease expenses, total	2,482

8 Investments in subsidiaries

Movements of the Company's investments during the reporting period:

	Company
Opening net book value	-
Acquisition of subsidiaries	60,218
Increase in capital of subsidiaries	36,157
Contributions to cover losses of subsidiaries	234
Net book value at the end of the period	96,609

On 28 March 2019, the share purchase and sale agreements were concluded with Ignitis grupė UAB to acquire 100% interest in the shares of Eurakras UAB, Vėjo gūsis UAB, Vėjo vatas UAB, and VVP Investment UAB. Eurakras UAB, Vėjo gūsis UAB and Vėjo vatas UAB generate electricity from renewable energy sources in wind farms and are entitled to incentives for generation of electricity (Note 2.18). VVP Investment UAB develops a wind farm project with a planned capacity of 60 MW, the operations of which are scheduled to commence in 2022. During the reporting period, the net profit or loss of Eurakras UAB, Vėjo gūsis UAB, Vėjo vatas UAB, and VVP Investment UAB were reported in the Group's statement of profit or loss and other comprehensive income in the amount of EUR 2,888 thousand.

On 27 May 2019, the Company entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Pomerania Wind Far Sp. z o. o. and the shareholder's claim rights. Pomerania Wind Far Sp. z.o.o. develops a wind farm project in Poland with a planned capacity of 94 megawatts (MW). The construction work on the project was launched in the Q2 of 2019, whereas the commercial operations should commence at the end of 2020. In November 2018, Pomerania Wind Far Sp. z.o.o. won a promotional tariff of 214.98 PLN/MWh (app. 50 EUR/MWh) for a period of 15 years. Pomerania Wind Far Sp. z o.o. acquisition costs of EUR 292 thousand were recognized in the Group's statement of profit and loss and other comprehensive income under the caption 'Other expenses'. During 2019, the net profit or loss of Pomerania Wind Farm Sp. z o. o. was recognised in the Group's statement of profit and loss and other comprehensive income in the amount of EUR (222) thousand.

All purchases of investments were paid in cash.

During the reporting period, the total amount of the Company's loans granted to the subsidiary Pomerania Wind Farm Sp. z o.o., including loans taken over during acquisition of the subsidiary, amounted to EUR 38,657 thousand. During this period, the subsidiary repaid part of the loan in the amount of EUR 2,500 thousand. The remaining part was capitalised by the Company into the share capital and share premium of the subsidiary.

As at 27 June 2019, the Company granted a short-term loan of EUR 200 thousand to the subsidiary VVP Investment UAB. As at 31 December 2019, the loan was not yet repaid.

The Company made the following investments during the reporting period:

Group company	Acquisition cost	Contributions against losses	Carrying amount	Interest held, %
EURAKRAS UAB	18,735	-	18,735	100
Vėjo gūsis UAB	12,919	-	12,919	100
Vėjo vatas UAB	6,132	-	6,132	100
VVP Investment UAB	1,962	234	2,196	100
Pomerania Wind Farm Sp. z o.o.	56,627	-	56,627	100
Total	96,375	234	96,609	-

All the shares of the subsidiaries were fully paid as at 31 December 2019. All subsidiaries are engaged in the production of electricity from renewable sources. The Group has 100% effective ownership interest in each subsidiary. Subsidiaries are all directly controlled by the Company.

9 Non-current receivables

As at 31 December 2019, other non-current receivables amounted to EUR 1,472 thousand and consisted of a deposit paid to the Energy Regulatory Office in Poland to ensure the security of future energy supply. The deposit will be released upon the first delivery of the generated electricity to the grids.

The remaining EUR 1 thousand of non-current receivables relates to servitudes for which lump sum payments have been paid for a certain period. These amounts are written off over the useful life of the wind power plants.

As at 31 December 2019, the Group's non-current receivables amounted to EUR 1,473 thousand.

10 Trade receivables

As at 31 December 2019, the Group and the Company's trade receivables consisted of receivables from the Designated Company (Note 2.18). No interest is charged on trade receivables and the settlement period is usually between 15 and 30 days.

As at 31 December 2019, the trade receivable was not past due. For the purpose of individual Estimated credit losses assessment, no impairment losses were identified during the reporting period and as at 31 December 2019. The Company's/Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on a particular debtor and a significant increase in the credit risk of that particular debtor.

The fair values of trade receivables as at 31 December 2019 approximated their carrying amounts.

As at 31 December 2019, trade receivables consisted of:

	Group 31 December 2019	
Receivables under contracts with customers		
Receivables for electricity		1,933
Total		1,933
Less: impairment of trade receivables		-
Carrying amount		1,933

11 Other receivables

As at 31 December 2019, other trade receivables consisted of:

	31 December 2019	
	Group	Company
Value added tax	4,634	206
Other receivables	15	36
Total	4,649	242
Less: impairment of other receivables	-	-
Carrying amount	4,649	242

The amount of input value added tax relates to the acquisition of property, plant and equipment for use in construction.

The fair values of other receivables at the beginning and at the end of the reporting period approximated their carrying amounts.

12 Cash and cash equivalents

The Group and the Company's cash and cash equivalents as at 31 December 2019 comprise the following amounts:

	31 December 2019	
	Group	Company
Cash at bank	19,885	5,425
	19,885	5,425

The fair values of cash and cash equivalents as at 31 December 2019 approximated their carrying amounts. As at 31 December 2019, the Group and the Company's pledged amounts totalled EUR 346 thousand.

13 Issued capital

The registered share capital on 31 December 2019 amounted to EUR 3 thousand. As at 31 December 2019, the Company's issued capital was divided into 3,000 ordinary registered shares with par value of EUR 1 each. As at 31 December 2019, all shares were fully paid.

As at 31 December 2019, share premium of the Company amounted to EUR 44,697 thousand. The Company's share premiums are set and paid up by the sole shareholder in several stages:

- Set at EUR 11,174 thousand at the time of the capital formation.
- Increased by EUR 28,159 thousand on 1 April 2019.
- Increased by EUR 5,364 thousand on 14 June 2019.

14 Loans received

The balance of loans received of the Group and the Company as at 31 December 2019 was as follows:

	31 December 2019	
	Group	Company
Non-current		
Non-current loans	24,355	-
Current		
Current loans	59,869	56,922
Accrued interest	214	-
Total borrowings	84,438	56,922

All borrowings of the Group and the Company are denominated in euros. As at 31 December 2019, the Company's undrawn balance of loans amounted to EUR 16,378 thousand, and the Group's – EUR 16,378 thousand. All the loans were received from the parent company Ignitis grupė UAB.

Non-current borrowings by maturity:

	31 December 2019	
	Group	Company
1 and 2 years	-	-
From 2 to 5 years	-	-
After 5 years	24,355	-
Carrying amount	24,355	-

The weighted average interest rates (%) on the Group's and the Company's borrowings payable with fixed and variable interest rates:

	31 December 2019	
	Group	Company
Non-current loans		
Fixed interest rate	3.138	2.054
Variable interest rate	0.958	0.911
Current loans		
Variable interest rate	8.980	0.446

NOTES TO THE FINANCIAL STATEMENTS

For the period 14 January 2019 to 31 December 2019

All amounts in thousands of euro unless otherwise stated

15 Net debt reconciliation

This note provides an analysis of net debt, a non-IFRS measure, and changes in net debt for the purposes of these financial statements, as defined by the management.

Net debt balances as at 31 December 2019:

	31 December 2019	
	Group	Company
Cash and cash equivalents	(19,885)	(5,425)
Term deposits	-	(512)
Non-current borrowings	24,355	-
Current borrowings	60,083	56,922
Net debt	64,553	50,985
Cash and cash equivalents	(19,885)	(5,937)
Borrowings – fixed interest rate	81,277	56,922
Borrowings – variable interest rate	3,161	-
Net debt	64,553	50,985

Reconciliation of the Group's net debt balances and cash flows from financing activities:

Group	Assets	Liabilities arising from financing activities			Total
	Cash	Non-current portion of long-term loan	Current portion of non-current loans	Current loans	
Net debt at the beginning of the period	-	-	-	-	-
Cash changes					
(Increase) decrease in cash and cash equivalents	(19,885)	(2,271)	(20)	2,291	(19,885)
Loans received	-	-	-	57,526	57,526
(Repayments) of borrowings	-	(435)	(7,202)	(132)	(7,769)
Interest paid	-	(535)	-	(735)	(1,270)
Non-cash changes					
Accrual of interest payable	-	535	-	949	1,484
Reclassification of interest payable to trade payables	-	-	-	(264)	(264)
Reclassifications between items	-	(7,202)	7,202	-	-
Loans and interest transferred (taken-over) during acquisition of subsidiaries	-	34,263	20	448	34,731
Net debt as at 31 December 2019*	(19,885)	24,355	-	60,083	64,553

* Lease liabilities are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts in thousands of euro unless otherwise stated

Reconciliation of the Company's net debt balances and cash flows from financing activities:

Company	Assets		Borrowings			Total
	Cash	Short-term receivables Term deposits	Current loans	Current portion of non-current loans	Non-current portion of current loan	
Net debt at the beginning of the period	-	-	-	-	-	-
Cash changes						
(Increase) decrease in cash and cash equivalents	(5,425)	-	-	-	-	(5,425)
Loans received	-	-	56,922	-	-	56,922
Interest (paid)	-	-	(649)	-	-	(649)
(Opening) closing term deposits	-	(200)	-	-	-	(200)
Non-cash changes						
Loans taken-over	-	-	-	-	-	-
Accrual of interest payable	-	(312)	808	-	-	496
Reclassification of interest payable to trade payables	-	-	(159)	-	-	(159)
Net debt as at 31 December 2019*	(5,425)	(512)	56,922	-	-	50,985

* Lease liabilities are disclosed in Note 16.

16 Lease liabilities

Movements in the Group and the Company's lease liabilities during the reporting period:

	Group			Company		
	Non-current lease liabilities	Current lease liabilities	Total	Non-current lease liabilities	Current lease liabilities	Total
Opening book value at the beginning of the year	-	-	-	-	-	-
Changes in monetary items						
Lease payments	451	(4,757)	(4,306)	-	(11)	(11)
Interest paid	-	(192)	(192)	-	(1)	(1)
Changes in non-monetary items						
Recognition of lease liabilities under IFRS 16	24	9	33	24	9	33
Lease contracts concluded	9,549	81	9,630	39	18	57
Liability write-offs	(21)	(6)	(27)	(21)	(9)	(30)
Interest expense	-	164	164	-	1	1
Reclassifications between items	(4,856)	4,856	-	(9)	9	-
Assets acquired during the acquisition of subsidiaries	13,231	4,691	17,922	-	-	-
Other changes	-	-	-	-	1	1
Carrying amount as at 31 December 2019	18,378	4,846	23,224	33	17	50

NOTES TO THE FINANCIAL STATEMENTS

For the period 14 January 2019 to 31 December 2019

All amounts in thousands of euro unless otherwise stated

The Group and the Company's future minimum lease payments according to lease contracts are as follows:

	31 December 2019	
	Group	Company
Minimum payments		
Within 1 year	5,020	18
From two to five years	9,806	34
After five years	10,407	-
Total	25,233	52
Future finance costs		
Within 1 year	(174)	(1)
From two to five years	(202)	(1)
After five years	(1,633)	-
Total	(2,009)	(2)

Carrying amount

23,224

50

The Group's most significant lease obligations relate to the lease of land and wind farms. The Group's finance lease liabilities related to the development of the wind power parks amounted to EUR 14,220 thousand as at 31 December 2019. The Group pays variable interest rates on leases, the average of which is 1.05% as at 31 December 2019. As at 31 December 2019, the validity terms of the effective finance lease contracts expire in the period from 2021 to 2022.

As at 31 December 2019, the Group's lease liabilities related to land amounted to EUR 8,814 thousand with interest rate ranging from 2.4 to 3.3%.

The remaining Group's lease liabilities amounting to EUR 190 thousand comprise leases of other assets with an interest rate of up to 3.44%.

17 Deferred income tax

Group	14 January 2019	Recognised through profit/loss	Increase upon acquisition of subsidiary	Realisation of unrecognised tax losses	31 December 2019
Deferred tax asset					
Accrued expenses	-	24	-	-	24
Tax losses carry forward	-	182	-	-	182
Deferred tax assets acquired at the time of formation of the Group	-	-	122	-	122
Deferred income tax asset before valuation allowance	-	206	122	-	328
Less: decrease in realized value	-	(191)	-	-	(191)
Deferred income tax asset, net	-	15	122	-	137
Deferred tax liabilities					
Difference of financial and tax value of assets identified on business combination	-	228	(6,761)	-	(6,533)
Deferred tax liabilities acquired at the time of formation of the Group	-	-	(46)	-	(46)
Deferred income tax liability, net	-	228	(6,807)	-	(6,579)
Deferred income tax, net	-	243	(6,685)	-	(6,442)

The Group's statement of financial position presents separately deferred tax assets (EUR 137 thousand) and deferred tax liabilities (EUR 6,579 thousand) related to different subsidiaries. The net balance of deferred tax is liability of EUR 6,442 thousand.

As at 31 December 2019, the Company has no recognised deferred tax assets and liabilities:

Company	14 January 2019	Recognised through profit/loss	31 December 2019
Deferred tax asset			
Accrued expenses	-	9	9
Tax losses carry forward	-	182	182
Deferred income tax asset before valuation allowance	-	191	191
Less: decrease in realized value		(191)	(191)
Deferred income tax asset, net	-	-	-

18 Other current amounts payable

The Group and the Company's other current amounts payable and liabilities at the beginning and at the end of the reporting period:

	As at 31 December 2019	
	Group	Company
Payroll related liabilities	112	99
Amounts payable for property, plant and equipment	1,571	-
Taxes (other than income tax)	321	-
Accrued expenses	60	-
Interest payable and guarantee fees	579	165
Other amounts payable and liabilities	49	5
Carrying amount	2,692	269

The guarantees received by the Group are disclosed in Note 24.

Debts for non-current assets are related to the construction of a wind farm of the subsidiary Pomerania Wind Farm Sp. z o.o. (Note 6).

19 Revenue from contracts with customers

Breakdown of revenue by performance obligations

	During the reporting period	
	Group	Company
Revenue from sales of electricity	9,376	-
Other sales revenue	-	77
Total	9,376	77

Contract assets and liabilities

As at 31 December 2019, the Group and the Company did not have any contract assets and liabilities.

Rights to returned good assets and refund liabilities

Under the electricity purchase agreement with the Designated Company (Note 2.18), on the basis of which all revenue of the Group is earned, the Designated Company is not entitled to return the purchased electricity, therefore no payment obligations and corresponding income adjustments are recognized for the sold electricity and related PSO income.

Performance obligations

Revenue from the sale of electricity and related PSO revenue are recognised on a monthly basis, taking into account the actual volume of electricity transferred to the power grid, which is determined according to the readings of electricity meters. Amounts are collectible on 30 days term. Guarantees are not provided for in the agreement.

20 Other expenses

The Group and the Company's other expenses:

	During the reporting period	
	Group	Company
Taxes	533	267
Business support services	266	173
Consultation services	147	97
Audit expenses	74	23
Telecommunications and IT services	50	13
Lease expenses	38	-
Transportation expenses	11	1
Public relations and marketing	10	-
Other expenses	120	31
Carrying amount	1,249	605

Presented below are all services rendered by the audit firms to the Group and the Company:

	During the reporting period	
	Group	Company
Audit of the financial statements under the agreements	74	23
Carrying amount	74	23

21 Finance income

The Group and the Company's finance income during 2019 was as follows:

	During the reporting period	
	Group	Company
Interest income	-	315
Other finance income	103	26
Total	103	341

22 Finance expenses

The Group's and the Company's finance expenses during the reporting period were as follows:

	During the reporting period	
	Group	Company
Interest expense	1,318	809
Other finance expenses	133	-
Total	1,451	809

The Company and the Group incur interest expenses on loans received from the Company's parent company Ignitis grupė UAB. During the reporting period, the Company paid interest in the amount of EUR 649 thousand, the Group – EUR 1,462 thousand, which are reported in the cash flow statement under 'Interest paid'.

23 Income tax expense

Income tax expenses for the reporting period comprise current year income tax and deferred income tax. Under the Republic of Lithuania Law on Corporate Income Tax, the income tax rate of 15% was assessed on profit in 2019. The Group and the Company's income tax expenses during the reporting period were as follows:

	During the reporting period	
	Group	Company
Income tax expenses (benefit) for the reporting period	544	-
Deferred income tax expenses (benefit)	(243)	-
Income tax expenses (benefit) recognised in profit or loss	301	-

Income tax on the Group and the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company:

	During the reporting period	
	Group	Company
Profit/(loss) before tax	1,167	592
Income tax expenses (benefit) at tax rate of 15%	175	89
Expenses not deductible for tax purposes	124	1
Non-taxable income	(372)	(281)
Realisation of unrecognised tax losses	191	9
Unrecognised deferred income tax on tax losses	183	182
Income tax expenses (benefit)	301	-

24 Contingent liabilities and commitments

Capital expenditure commitments

As at 31 December 2019, the Group's had significant commitments to purchase and construct property, plant and equipment. As at 31 December 2019, the Group's commitments to purchase and construct property, plant and equipment amounted to EUR 78,399 thousand.

Tax audits

The state tax authority has not yet performed a full tax inspection in the Group companies. The tax authorities may at any time perform investigation of the accounting, transaction and other documents, as well as accounting records and tax returns for the current and three previous calendar years, and, where applicable, for the current and the previous five or ten calendar years, and may impose additional taxes or fines. The Group's management is not aware of any circumstances due to which material additional tax liabilities could be imposed on the Company.

Guarantees received

The Company's parent company Ignitis grupė UAB, in exchange for a fee, has provided guarantees to its subsidiaries Vėjo vatas UAB and Vėjo gūsis UAB under leasing agreements. As at 31 December 2019, the guarantees received were as follows:

Subsidiary	Beneficiary of the guarantee	Date of issue of the guarantee	Maturity	Maximum amount of the guarantee	31 December 2019
Vėjo vatas UAB	Swedbank lizingas UAB	29/01/2019	28/02/2022	9,258	6,797
Vėjo gūsis UAB	Swedbank lizingas UAB	29/01/2019	28/02/2021	9,687	7,413
				18,945	14,210

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25 Related party transactions

The disclosures comprise transactions and balances of these transactions with the shareholder, subsidiaries (the Company's transactions), associates and all entities controlled by (which are related parties of the Company's parent company Ignitis grupė UAB) or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management and their close family members.

The Group's transactions with related parties conducted during the period from 14 January 2019 to 31 December 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

Related Parties	Loans payable	Payables	Receivables	Loans receivable	Sales	Purchases	Finance income (expenses)
Ignitis grupė UAB	84,134	583	1	-	-	129	(1,207)
Ignitis grupės paslaugų centras UAB	-	1	-	-	-	31	-
Ignitis UAB	-	2	-	-	-	15	-
Verslo aptarnavimo centras UAB	-	49	8	-	-	183	-
Ignitis Polska Sp. z. o.o.	-	9	-	-	-	7	-
Gamybos optimizavimas UAB	-	-	-	-	-	2	-
Energijos skirstymo operatorius AB	-	-	-	-	-	-	1
Ignitis gamyba AB	-	-	1,932	-	5,254	-	-
Total	84,134	644	1,941	-	5,254	367	(1,206)

The Company's transactions with subsidiaries conducted during the period from 14 January 2019 to 31 December 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

Related Parties	Loans payable	Payables	Receivables	Loans receivable	Sales	Purchases	Finance income	Finance income (expenses)
Subsidiaries								
Eurakras UAB	-	-	3	-	12	1	-	-
Vėjo gūsis UAB	-	-	4	-	17	-	-	-
Vėjo vatas UAB	-	-	4	-	14	1	-	-
VVP Investment UAB	-	-	5	200	20	1	3	3
Pomerania Wind Farm Sp. z o.o.	-	-	14	312	14	-	312	-
Other related parties								
Ignitis grupė UAB	56,922	174	-	-	-	82	-	806
Ignitis grupės paslaugų centras UAB	-	1	-	-	-	-	-	-
Ignitis UAB	-	-	-	-	-	13	-	-
Verslo aptarnavimo centras UAB	-	14	7	-	-	184	-	-
Total	56,922	189	37	512	77	282	315	809

The Company did not account for any impairment losses on receivables from subsidiaries, nor did it accounted for any provisions related to transactions with subsidiaries. During the reporting period, the Company's dividend income amounted to EUR 1,870 thousand.

Terms of transactions with related parties

The payment terms set range from 15 to 30 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

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Compensation to key management personnel:

	During the reporting period	
	Group	Company
Wages and salaries and other short-term benefits to key management personnel	81	61
Whereof: termination benefits and benefits to Board Members	6	-
Number of key management personnel	5	1

Management in the table above comprise heads of administration of all subsidiaries and their deputies.

26 Business combinations

On 27 May 2019, the Company entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Pomerania Wind Far Sp. z o. o. As at 30 September 2019, the Company had a full ownership of the subsidiary. The investment in Pomerania Wind Farm Sp. z o.o totalled EUR 20,470 thousand. As at 31 December 2019, the investment was full paid.

The Group applied the acquisition accounting method to account for these business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

As at 31 December 2019, the Group's management carried out the preliminary assessment of the business combinations. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Vėjo vatas UAB	Vėjo gūsis UAB	VVP Investment UAB	Eurakras UAB	Pomerania Wind Farm Sp. z o.o.	Total
Assets						
Property, plant and equipment	341	741	288	27,444	4,357	33,171
Right-of-use assets	15,817	19,098	-	8	-	34,923
Other non-current receivables	-	-	-	-	1,461	1,461
Cash and cash equivalents	436	832	88	5,289	6	6,651
Inventories and prepayments	30	125	56	225	-	436
Current receivables	486	731	49	790	84	2,140
Other intangible assets identified during business combination	1,900	1,360	-	10,870	24,430	38,560
	19,010	22,887	481	44,626	30,338	117,342
Liabilities						
Loans, non-current liabilities	(2,706)	-	-	(24,355)	(7,202)	(34,263)
Finance lease, non-current liabilities	(6,866)	(6,323)	-	(1)	-	(13,190)
Current lease liabilities	(2,254)	(2,471)	-	(6)	-	(4,731)
Current liabilities	(444)	(598)	(416)	(1,057)	(80)	(2,595)
Deferred tax liability	(285)	(204)	-	(1,676)	(4,642)	(6,807)
	(12,555)	(9,596)	(416)	(27,095)	(11,924)	(61,586)
Identifiable net assets	6,455	13,291	65	17,531	18,414	55,756
Goodwill arising on business combination	-	-	1,897	1,204	2,061	5,162
Profit in the case of a bargain purchase	(323)	(372)	-	-	(5)	(700)
Acquisition consideration paid	6,132	12,919	1,962	18,735	20,470	60,218
Net cash outflow on acquisition of subsidiaries:						
Cash paid to sellers of shares	(6,132)	(12,919)	(1,962)	(18,735)	(20,470)	(60,218)
Repayment of loans from former shareholders	-	-	-	-	(7,209)	(7,209)
Cash paid for costs relating to acquisition	-	-	-	-	(292)	(292)
Cash and cash equivalents at acquired companies	436	832	88	5,289	6	6,651
Net cash flow	(5,696)	(12,087)	(1,874)	(13,446)	(27,965)	(61,068)

All investments were paid in cash.

On 28 March 2019, the share sale-purchase agreements were concluded, on the basis of which the Company's parent company Ignitis grupė UAB transferred to the Company 100% of shares in Vėjo gūsis UAB, Vėjo vatas UAB, and Eurakras UAB, the companies producing electricity from renewable sources, and VVP Investment UAB, the company developing wind energy project. The shares were transferred for the carrying amount of investments in shares and the related liabilities, accounted for in the financial statements of Ignitis grupė UAB on the trade date.

The Company made the following investments during the reporting period:

Subsidiary	Disposal date	Number of shares disposed	Investment value, EUR	Amount paid up	Amount not paid up
Eurakras UAB	28/03/2019	159,549	18,735	18,735	-
Vėjo vatas UAB	28/03/2019	100,000	6,132	6,132	-
Vėjo gūsis UAB	28/03/2019	257,000	12,919	12,919	-
VVP Investment UAB	28/03/2019	8,640	1,962	1,962	-
Pomerania Wind Farm Sp. z o.o.	27/05/2019	100	20,470	20,470	-
Total:			60,218	60,218	-

During business combinations, the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents goodwill and other intangible assets identified during business combination

27 Subsequent Events

On 10 March 2020, the Company made announcement that during the implementation of the Pomerania wind farm project in Poland, Pomerania Wind Farm Sp. z o. o., part of the group companies owned by the Company, has entered into an agreement with the European Investment Bank (EIB) for the loan of PLN 258 million (approx. EUR 60 million) loans for the implementation of this project. The first loan payment of PLN 190 million (approx. EUR 43 million) was received on 28 April 2020. The first-call guarantee agreement for this loan was concluded between the company and EIB. The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with EIB for pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender. The repayment date of the loan is 31 December 2035.

On 15 June 2020, the Company entered into the agreements with Ignitis gamyba AB (the subsidiary of the Company's parent company) regarding transfer of tax losses. The Company transferred EUR 1,181 thousand of tax losses in exchange for consideration.

As disclosed in Note 3.1, the approval of the Company's shareholder regarding the extension of the repayment deadline for a part of the loan was received in 2020.

On 14 July 2020, the Company signed the short-term agreement with its parent company on the loan of EUR 30 million with repayment date on 31 December 2020.

On 14 July 2020, the Company signed the short-term recurring loan agreement with its subsidiary Pomerania Wind Farm Sp. Z o.o. on the loan of EUR 30 million with repayment date on 31 December 2020.

COVID-19 pandemic

On 26 February 2020, the Government of the Republic of Lithuania declared a national level emergency in the whole country due to the threat of the COVID-19, and on 14 March 2020 it adopted the resolution No 207 "On the declaration of a national level emergency", on the basis of which quarantine was announced in the entire territory of the Republic of Lithuania (hereinafter "Lithuania") from 16 March 2020 until 17 June 2020. The emergency situation remains in force after the end of the quarantine. During the quarantine, the following measures were applied in the country:

- Restricted cross-border and domestic movements of population (movements of goods were not restricted)
- Restricted activities of public and private sector
- Restricted educational and childcare process as well as the educational activities in all educational establishments
- The organisation of work in health care institutions was established, etc.

As from 16 March 2020, the Group's management instructed all the employees of the Group who have the ability to work remotely to refrain going to work in offices, and to hold meetings through teleconferencing IT programs. All the conditions are in place for efficient teleworking without any disruptions in the performance of principal job. During the quarantine, the Group strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the potential threat of COVID-19.

The main factors affecting the Group's operations due to the COVID-19 situation described above are set out below:

Factors	Impact
Cash flows related to the risk of delays in major infrastructure projects' development (construction and development of new power plants)	Depending on the duration of the quarantine, there could be a risk of project delays due to disruptions of supply chain or due to appeared risk of infection of critical personnel with COVID-19. The positive impact on cash flows could be due to subsequent investments, however accordingly the planned income earnings and cash flow from operations related to the ongoing project could be delayed. However, this should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the financial statements cannot be reasonably determined.

Impact on going concern

The Management in assessing the risks to the Group's going concern has taken into account the uncertainty caused by the COVID 19 outbreak regarding the potential future impact on the Group's operations. The Group's management has assessed the potential disruption of cash flows, supply of services or goods, attracting the financing sources, potential reductions in electricity consumption due to the economic slowdown and delays in ongoing projects using all available information at the time of issuing these financial statements. During assessment the Group did not identify any circumstances that could cast doubt on the going concern of the Group as a whole or individual companies of the Group.

Carrying value and useful life of property, plant and equipment

Management considered the effect of COVID-19 on the useful lives of the non-current assets and, finding that there was no change in the expected nature and purpose of the use of non-current assets, did not determine any effect of COVID-19 on the assets' carrying amount and useful life. The review of the nature and purpose of the use of non-current assets was based on future outcomes and economic conditions that could result from a future COVID-19 pandemic. That review did not give any indication that any disruptions in the use of property, plant and equipment neither in the short nor in the long term.

Impact on assessment of expected credit losses

The Group's trade receivables consist only of amounts receivable from the Designated Entity (Note 2.18), which is the subsidiary of the Company's parent company. The Group's management did not identify any threats due to payment delays.

Impact on assessment of impairment of assets

The Group's management assessed the impact of the COVID-19 pandemic on such external and internal factors as the economic and regulatory environment, market structure, purpose of use of and useful lives of assets, ability of assets to generate cash flows. After reviewing these factors, the management did not identify any indications that the above assets of the Group/Company may be impaired and, therefore, chose not to perform an impairment test.

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Classification of non-current and current part

Management has also reviewed the criteria for classifying borrowings, as well as other receivables/payables, as non-current or current, and has not identified any circumstances that would require a significant adjustment to this classification.

Management of the Group's liquidity risk

The Group's liquidity risk is managed centrally by the parent company Ignitis renewables UAB, using the following measures:

- Short-term liquidity risk is managed through non-binding recurring loan agreements concluded between the Company and its subsidiaries.

Long-term liquidity risk is managed through cooperation with the Treasury Department of Ignitis grupė UAB of possibilities to finance the activities of the Group using at least two sources, i.e. equity and investment bank loans or commercial bank loans, as well as other means.

For more details on liquidity risk management refer to Note 3.1.