

SIA “AGROCREDIT LATVIA”

Annual Accounts for 2020

**Prepared in accordance with the
International Financial Reporting Standards
as adopted by EU**

Translation from Latvian

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

TABLE OF CONTENTS

Management report	3 – 4
Statement of management responsibility and corporate governance	5
Financial statements	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 – 27
Independent auditor's report	28 – 30

Management report

Type of operations

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. More than half of the credit portfolio consists of short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales. Also long-term loans secured by mortgage and commercial pledges are offered to the farmers as well as agri-machinery leasing services.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as experience of the potential client in agriculture, prior year's financial results, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing usually covers no more than half of the average expected sales volume of harvest, which allows customers to pay for their obligations in poor harvest years.

The funds for lending are provided by the Company's equity and related party loans as well as funds attracted from external sources of financing - listed bonds, bank's credit line and other private investors.

The Company's performance during the reporting year

Despite the challenges caused by Covid-19 crises, year 2020 was a good period of growth for the Company. As the conservative credit policy played an important role to gain investors' and creditors' trust during the turbulent times, the Company had sufficient credit resources to serve the increasing demand for the financing. The credit portfolio hit the all-times highest level and exceeded 12 million EUR by the end of the grain season in July, 2020.

The comparatively insignificant Covid-19 crises impact on farming industry was another factor of success as the production process was not significantly affected and the overall demand for the agricultural products was stable. The grain prices were on historically very good level and the price for rape-seeds grew by the end of the year as well. The milk prices remained comparatively stable. Fruit and vegetable growers had worse year as the demand and prices decreased due to all restrictions in HoReCa sector.

The total interest income of the Company increased by 38% in 2020 and exceeded 1.2 MEUR. The total assets exceeded 12 m EUR in the end of the grain season, but decreased as usual in the final quarter of the year after Autumn settlements after harvest. The portfolio peak exceeded last season level by 40%.

The net profit margin remained at 18% level matching the last year ratio. Investments were made in marketing activities and IT development. The cooperation with AS Citadele banka was renewed in the end of the year which will facilitate the lower credit resource costs and increase the gross margin in 2021.

Generally, the year 2020 was successful for the Company. The targets of total financing amounts, product range diversification and portfolio quality were achieved and exceeded.

The Company's exposure to risks

The Company's main risks are related to its customers' ability to pay for the loans. Quality of credit granting decisions and customer solvency assessment is essential in risk management.

Borrowers' ability to repay loans influenced by external factors – harvest productivity and grain prices on the stock exchange. Therefore, for the lending decision, it is important to foresee the customer's ability to repay the loan in poor harvest years and unfavourable market conditions.

Statement on internal control procedures

The Board confirms that the internal control procedures are efficient and the risk management and internal control during the whole year has been carried out in accordance with the mentioned control procedures.

Future prospects

The Company plans to increase the financing amounts in 2021 and to achieve 14 million EUR credit portfolio by the end of the grain season. The quality of the portfolio will be kept on existing high level. The attraction of several new lower cost financing sources will have a positive impact on gross margin. Also, the usage of credit line is a good instrument for the liquidity management and decreasing of total interest costs.

Management report (continued)

Future prospects (continued)

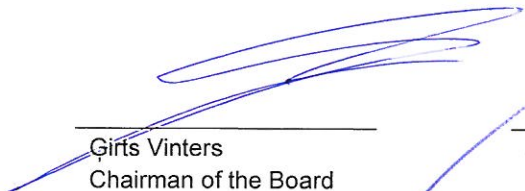
Several marketing activities will be carried out to increase the brand recognition in the market and attract wider range of clients. Cooperation with grain, fuel and machinery vendors will be developed to ensure quick and effective service for their customers.

The IT system will be developed to grant wider range of new digital solutions to cooperation partners and customers.

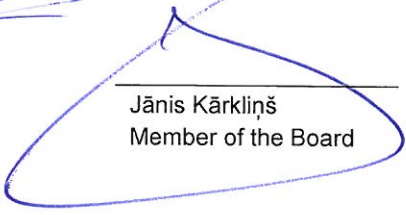
Distribution of the profit proposed by the Board

The Management Board recommends to the shareholder to pay dividends in amount of 23 000 EUR and to retain the remaining profit in amount of 208 352 EUR undistributed.

The Management Board has prepared this annual report of SIA AgroCredit Latvia, including Management report, Statement of management's responsibility, Corporate Governance Report and Financial statements for 2020 and has approved it for submission to Shareholder's meeting.



Ģirts Vinters
Chairman of the Board



Jānis Kārklīšs
Member of the Board

Riga, 28 April 2021

Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for 2020.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant primary documents and in accordance with International Financial Reporting Standards as adopted by the European Union, based on a going concern basis, and present a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2020 and its profit and cash flows for 2020.

The Company's management confirms that appropriate and consistent accounting policies and prudent and reasonable management estimates have been applied.

The management of the Company confirms that it is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Company's assets. The management of the Company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Company is responsible for ensuring that the Company operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company's business development and operational performance.

Corporate governance statement

The Corporate governance report of SIA AgroCredit Latvia for 2020 has been prepared as a separate document in accordance with Section 56.² Paragraph 3 of the Financial Instruments Market Law.

The report is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA AgroCredit Latvia for 2020 for publishing on the website of the Stock Exchange: <http://www.nasdaqbaltic.com/> and the website of SIA AgroCredit Latvia <http://www.agrocredit.lv> .

Girts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

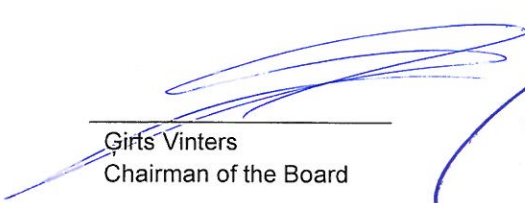
Riga, 28 April, 2021

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)


Statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
Interest income	1	1 252 133	909 827
<i>out of this, income at effective interest rate</i>		<i>1 252 133</i>	<i>909 827</i>
Interest expense	2	(596 956)	(421 389)
Impairment	3	(40 000)	(70 000)
Administrative expense	4	(248 850)	(201 694)
Other operating expense	5	(99 141)	(54 777)
Other operating income		566	
Profit before corporate income tax		267 752	161 967
Corporate income tax	6	(36 400)	-
Current year's profit		231 352	161 967
Other comprehensive income		-	-
Total comprehensive income for the current year		231 352	161 967


Notes on pages from 10 to 27 are integral part of these financial statements.



 Girts Vinters
 Chairman of the Board



 Jānis Kārklīņš
 Member of the Board



 Evija Šverna
 Accountant


Rīga, 28 April 2021

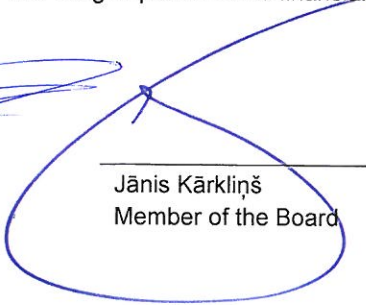
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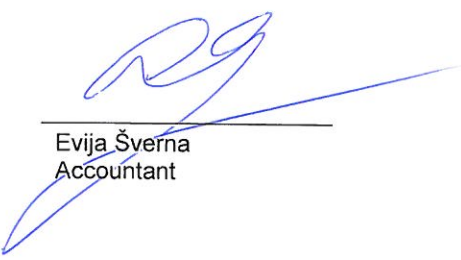
Statement of financial position as at 31 December 2020

	Notes	31.12.2020. EUR	31.12.2019. EUR
Assets			
Long term investments			
Property, plant and equipment	7	3 751	4 837
Right-of-use assets	8	41 369	45 517
Loans	9	1 538 694	741 174
Total long-term investments:		1 583 814	791 528
Current assets			
Loans	9	6 240 482	6 880 031
Other debtors	10	87 748	14 234
Cash and bank	11	309 482	103 515
Total current assets:		6 637 712	6 997 780
Total assets		8 221 526	7 789 308
Liabilities and shareholder's funds			
Shareholders' funds:			
Share capital	12	1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		214 567	212 600
- current year's profit		231 352	161 967
Total shareholders' funds:		1 945 944	1 874 592
Liabilities:			
Long-term liabilities:			
Borrowings	13	5 745 000	4 860 000
Lease liabilities	8	29 738	74 782
Total long-term liabilities:		5 774 738	4 934 782
Short-term liabilities:			
Borrowings	13	438 254	912 459
Lease liabilities	8	51 448	56 237
Trade creditors and other liabilities	14	11 142	11 238
Total short-term creditors:		500 844	979 934
Total liabilities and shareholders' funds		8 221 526	7 789 308

Notes on pages from 10 to 27 are integral part of these financial statements.


Girts Vinters
Chairman of the Board


Jānis Kārklīš
Member of the Board


Evija Šverna
Accountant

Riga, 28 April 2021

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
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Statement of changes in equity for the year ended 31 December 2020

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 31 December 2018	1 500 000	25	331 965	1 831 990
Profit for the year	-	-	161 967	161 967
Dividends	-	-	(119 365)	(119 365)
As at 31 December 2019	1 500 000	25	374 567	1 874 592
Profit for the year	-	-	231 352	231 352
Dividends	-	-	(160 000)	(160 000)
As at 31 December 2020	1 500 000	25	445 919	1 945 944

Notes on pages from 10 to 27 are integral part of these financial statements.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Statement of cash flows for the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
<u>Cash flow from operating activities</u>			
Profit before corporate income tax		267 752	161 967
Depreciation of plant, property and equipment	7	1 638	2 244
Depreciation of right-of-use assets	8	10 729	7 063
Interest income	1	(1 252 133)	(909 827)
Interest expense	2	590 436	421 389
Impairment loss on loans	3, 9	40 000	70 000
Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities		(341 578)	(247 164)
Increase of loans issued	9	(250 365)	(1 958 609)
(Increase) / decrease in trade and other debtors		(70 155)	441
Trade creditors' increase / (decrease)		20 153	(3 323)
Decrease of cash and cash equivalents from operating activities before corporate income tax		(641 945)	(2 208 655)
Interest paid		(603 139)	(426 614)
Interest received		1 286 477	704 247
Corporate income tax (paid)/ surplus reimbursed	6	(40 000)	4 308
Net increase/(decrease) of cash and cash equivalents from operating activities		1 393	(1 926 714)
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(552)	-
Net decrease of cash and cash equivalents from investing activities		(552)	-
<u>Cash flow from financing activities</u>			
Dividends paid	12	(160 000)	(119 365)
Loans received		8 691 748	8 186 420
Repaid loans		(8 270 208)	(6 403 268)
Lease payments for right-of-use assets		(56 414)	(7 058)
Net increase of cash and cash equivalents from financing activities		205 126	1 656 729
Net increase/(decrease) of cash and cash equivalents in the reporting year		205 967	(269 985)
Cash and cash equivalents at the beginning of the reporting year		103 515	373 500
Cash and cash equivalents at the end of reporting year	11	309 482	103 515

Notes on pages from 10 to 27 are integral part of these financial statements.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
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Notes to the financial statements

General information about the Company

Name of the Company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry, Riga, 11 November 2011
Type of operations	The Company specializes in providing financial services and offering credit services to farmers. Basically, the Company issues short-term financing to crop-farmers for the purchase of raw materials, which is repaid after the harvest sales. As classified by NACE classification code system: 64.91 – Financial leasing 64.92 – Other credit granting
Address	K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Shareholders	AgroCredit Finance SIA (100%) Reg. No. 42403046209 K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Beneficial owners	Ģirts Vinters and Jānis Kārklīšs, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board Jānis Kārklīšs – Member of the Board
The Council	Lauris Buls – Member of the Council Silva Jeromanova- Maura – Member of the Council Edmunds Demiters – Member of the Council
Person responsible for accounting	Evija Šverna - accountant
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors' Company Licence No. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor: Lolita Čapkeviča Certificate No. 120

Approval of the Financial statements

These financial statements have been approved by the Board on 28 April 2021 and are subject to approval by the shareholder.

Notes to the financial statements
Accounting policies

(a) Basis of preparation

These financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting policies of the Company have not changed in comparison to previous reporting period.

The financial statements cover the period from 1 January 2020 until 31 December 2020.

The financial statements are prepared on historical cost basis.

(b) Significant accounting judgements, estimates and assumptions

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Any effect of changes in estimates is reflected in the financial statements at the time of their determination. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ.

The most significant judgments and estimates that affect the Company's financial statements are related to the determination of expected credit losses (ECL) for issued loans and are described in Note 9.

(c) Summary of significant accounting policies

Changes in accounting principles and reporting

New and amended IFRS and their interpretations which have been adopted during 2020 have had no or immaterial impacts on the Company's financial position, operations, cash flows and disclosures in the financial statements.

Functional and reporting currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Items included in the financial statements are presented in the official currency of the Republic of Latvia, the euro (EUR), which is the Company's reporting currency.

Foreign currency translation

All foreign currency transactions are translated into euros using the exchange rates published at the morning of the dates of the transactions by the European Central Bank. Monetary assets and liabilities denominated in foreign currencies on the last day of the reporting year are translated into euros at the foreign exchange rate published by the European Central Bank ruling at the end of the reporting year.

Gains or losses arising from foreign exchange rate fluctuations are recognized in the profit or loss in the period in which they arise.

Recognition of revenue and expenses

Interest income and expense

The Company provides lending services, and interest income is the main type of income of the Company. Interest income and expense are recognized in the statement of profit or loss on an accrual basis using the effective interest method. Interest income and expense are recognized in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future 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. Interest income is recognized over time.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Recognition of revenue and expenses (continued)

Other income

Other income is recognized on an accrual basis when it has been earned or when there is no doubt that it will be received in due time.

Other expenses

Expenses are recognised on an accrual basis in the period in which they are incurred, regardless of when the invoice is received or paid.

Intangible assets and property, plant and equipment

All intangibles and property, plant and equipment are recorded at cost net of depreciation or amortisation. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Intangibles	20
Other fixed assets	20

Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the calculations prepared in accordance with tax legislation of the Republic of Latvia effective at the end of reporting year. Corporate income tax is calculated on the basis of distributed profit which is subject to the tax rate of 20 % of their gross amount, or 20/80 of net amount. Corporate tax on distributed profit is recognized when the shareholders of the Company make a decision about profit distribution. Corporate income tax calculated on transactions other than profit distribution is included in the statement of profit or loss within other operating expenses. As of January 1, 2021, all overpaid tax amounts are considered as unallocated tax contributions that are not related to a specific tax. Such overpayments automatically cover other tax debts, if such exist.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current account balances and short-term deposits with original maturities of less than 90 days and short-term highly liquid investments that are readily convertible to known amounts of cash and which are not subject to significant changes in value.

Financial instruments

Classification

The Company's financial instruments consist of financial assets (financial assets at amortized cost and financial assets at fair value through profit or loss (FVTPL) and financial liabilities (financial liabilities at amortized cost).

The classification of debt instruments depends on the business model implemented by the Company's financial asset management, as well as on whether the contractual cash flow characteristics consist of solely payments of principal and interest (SPPI). Debt instruments are carried at amortized cost if both of the following criteria are met:

- the business model objective is to hold assets to collect contractual cash flows; and
- the contractual cash flow characteristics consist of solely payments of principal and interest.

The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses. Debt instruments that meet the requirements of the SPPI and are nevertheless held in a portfolio to both hold contractual cash flows and sell, such assets may be classified as FVTPL. Financial assets whose cash flows do not meet the requirements of the SPPI should be valued at FVTPL (eg financial derivatives). Embedded derivatives are not separated from financial assets, but when included in financial assets, the requirements of SPPI are assessed.

Recognition and derecognition

Financial assets are recognized when the Company has become a party to the contractual provisions of the instrument, i.e., on the trading date.

Financial assets are derecognised when the Company's contractual obligations to receive cash flows from the financial asset expire or when the Company transfers the financial asset to another party or transfers the significant risks and rewards of ownership of the asset. Purchases and sales of financial assets in the ordinary course of business are accounted for on the trading date, i.e., the date on which the Company decides to buy or sell the asset.

A financial liability is derecognised when the obligation under the liability is withdrawn, cancelled or expires.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value. For financial assets and financial liabilities at amortized cost on initial recognition, fair value is adjusted for transaction costs that are directly attributable to the financial instrument.

Financial assets at amortized cost

Financial assets at amortized cost are debt instruments with fixed or determinable payments that are not held for trading and whose future cash flows consist solely of principal and interest payments. Financial assets at amortized cost include loans, trade receivables and other receivables, and cash and cash equivalents. Financial assets at amortized cost are classified as current assets if their maturity is one year or less. If the maturity is longer than one year, they are presented as non-current assets. Short-term receivables are not discounted.

Financial assets at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Impairment of financial assets at amortised cost

Expected credit losses

Measurement

Impairment is measured using the expected credit loss (ECL) model. It involves monitoring the deterioration or improvement of the credit quality of financial instruments. The ECL model is applicable to all financial assets that are measured at amortized cost. The ECLs on financial assets measured at amortised cost are presented as allowances, i.e., the allowance reduces the gross carrying amount. An allowance for expected credit losses due to changes in ECL is recognized in the statement of profit or loss under "Impairment". The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

When calculating impairment losses on assets due to default on principal or interest payments or other loss-making events, collateral, including real estate and commercial pledges, is taken into account, valued at market value. The value of collateral is based on independent expert valuations or the Company's assessments.

Significant increase in credit risk

At the end of each reporting period the Company performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Both historic and forward-looking information shall be used in the assessment. As significantly most (more than 90%) of the loans reported in the balance sheet on 31 December 2020 have an initial origination date as of 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario-weighted annualized lifetime PD at the reporting date with the scenario-weighted annualized lifetime PD at initial recognition.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur if:

- payments are past due over 30 days but less than 90 days; or
- financial assets are forbore (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given).

Back-stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. In subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets move back to Stage 1. If credit quality of financial instrument deteriorates further, the financial instrument is transferred to Stage 3.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

Transfer to Stage 3 is triggered if the following indications occur:

- Payments are past due more than 90 days;
- Financial instrument is in default (PD = 100%).

Definition of default

Financial instruments in default are in Stage 3. Default and credit-impaired are triggered when an exposure (principal or interest payment) is more than 90 days past due, it becomes probable that the borrower will enter bankruptcy proceedings or will undergo or has undergone some other type of financial or legal reorganization, the borrower has been declared bankrupt or is equivalent to bankruptcy, the transaction has been restructured for economic or legal reasons related to the borrower's financial difficulties, or an assessment has been made indicating that the borrower is unlikely to be able to meet its obligations as expected.

When assessing whether a borrower is unlikely to pay its obligations, the Company takes into account both qualitative and quantitative factors including, but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. An instrument is no longer considered to be in default or credit impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

Credit loss allowances on assessed financial assets are presented in the Company's statement of financial position as a reduction in the gross carrying amount of the assets. An impairment loss is recognized in a separate allowance account and the loss is recognized in the statement of profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Modifications

The Company may renegotiate loans and modify contractual terms. In a situation where a renegotiation is determined by the counterparty's financial difficulties and inability to make the originally agreed payments, the Company compares the initial and revised estimated cash flows with the assets and determines whether the risks and rewards of the asset have changed significantly as a result of the modified contract. If the risks and rewards do not change, the modified asset does not differ significantly from the original asset and no derecognition occurs due to the modification. The Company recalculates the gross carrying amount by discounting the changed contractual cash flows at the original effective interest rate and recognizes modification gain or loss in the statement of profit or loss.

If the amended terms differ materially, the right to cash flows expires and the Company derecognises the original financial asset and recognizes a new financial asset at its fair value. The revision date is the original date used for the subsequent calculation of the impairment of the asset, including an assessment of whether the credit risk has increased significantly. The Company also assesses whether the new loan or debt instrument meets the criteria for solely principal and interest payments (SPPI). Any difference between the carrying amount of the derecognised original asset and the fair value of the newly recognized substantially revised asset is recognized in the statement of profit or loss, unless the nature of the change is attributable to equity transactions with owners.

In cases where the restructuring is due to financial difficulties of the counterparties resulting in non-compliance with the originally agreed payment schedule, the Company compares the initially planned and renewed cash flows to assess whether the risks and rewards of the modified terms have not changed significantly. If the risks and rewards do not change, the modified asset is not materially different from the original asset and derecognition is not required as a result of the modification. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows using the original effective interest rate and recognizes the gain or loss arising on the modification in the statement of profit or loss for the period.

Financial liabilities at amortized cost

The amortized cost of financial liabilities includes borrowings, including debt securities, lease liabilities, as well as payables to suppliers and contractors and other creditors. Financial liabilities at amortized cost are initially recognized at fair value. In subsequent periods, financial liabilities at amortized cost are carried at amortized cost using the effective interest method. Financial liabilities at amortized cost are classified as current liabilities if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term liabilities.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. The difference between the proceeds, net of borrowing costs, and the redemption value is recognized in the income statement using the effective interest method. This difference is recognized in finance costs.

Borrowings are classified as current liabilities unless the Company has an irrevocable right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued debt securities

The Company recognises issued debt securities at the date when the respective funds are received. After initial recognition when these financial liabilities are initially recognised at fair value including direct transaction costs, those are subsequently carried at amortised cost using the effective interest method. When issued debt securities are sold at a discount or premium, the difference is amortised applying the effective interest method until the debt matures and charged to the statement of comprehensive income as interest expense.

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 of economic benefits is probable.

Subsequent events

The financial statements reflect events after the balance sheet date that provide additional information about the Company's financial position at the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are significant.

Leases

Classification

At the time of concluding the agreement, the Company assesses whether the contract is a lease or contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract is a lease or contains a lease, the Company assesses whether:

- the contract provides for the use of an identified asset: the asset may be designated, directly or indirectly, and must be physically separable or represent practically full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;
- the Company has the right to obtain all economic benefits from the use of the identifiable asset over its useful life;
- the Company has the right to determine the use of the identifiable asset. The Company has the right to determine the manner in which the asset will be used, when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, the Company should assess whether it uses the asset, or the Company has developed an asset in a manner that predetermines how and for what purpose the asset will be used.

In the case of an initial measurement or reassessment of a contract that includes a lease component or multiple lease components, the Company attributes the relative separate price to each lease component.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

The Company is a lessee

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Company. The cost of the right-of-use an asset consists of:

- the amount of the initial measurement of the lease liability;
- any lease payments made before the commencement date less any lease incentives received;
- replacement costs associated with the dismantling and restoration of property, plant and equipment;
- any initial direct costs.

The right-of-use asset is amortised on a straight-line basis from the commencement date to the end of the useful life of the underlying asset or from the commencement date of the lease to the end of the lease term, unless an asset is scheduled to be redeemed. The right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for any revaluation of the lease liabilities.

Assets and liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the Company's incremental interest rate. Lease liabilities include the present value of the following lease payments:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable leases payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate, when the Company's estimate of expected payments changes, or when the Company changes its estimate of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently measured, the corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in the statement of comprehensive income if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of comprehensive income over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Short-term leases and leases for low-value assets

Lease payments related to short-term leases and lease for low-value assets are recognised as an expense in the statement of profit or loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less at the commencement date.

The Company is a lessor - financial lease

Receivables from finance leases are recognized at the net present value of the minimum lease payments, less any principal payments received and plus any unguaranteed residual value at the end of the lease term.

The lease payments received are allocated between the repayment of principal and the finance income. Finance income is recognized over the lease term to reflect a constant periodic rate of return on the lessor's net investment in the lease. Initial service charges levied at the commencement of a lease are taken into account in calculating the effective interest rate and the lessor 's net investment. The lessor's direct costs associated with the contract are included in the effective interest rate and are reported as a reduction of lease income over the term of the lease.

Lease payments receivable from customers are recognized in the statement of financial position when the related assets that are the subject of the contract with the customer are transferred to the customer.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) **Summary of significant accounting policies** (continued)

Financial risk management

The activities of the Company are exposed to different financial risks: credit risk, liquidity risk, market risk, cash flow and interest rate risk, operational risk and foreign currency risk. The Board is responsible for risk management. The Board identifies, assesses and seeks to find solutions to avoid financial risks.

Credit risk

The credit risk is a risk that a borrower of the Company is unable or unwilling to meet its liabilities towards the Company in full and within the established term as a part of the Company's main activity – lending. Credit risk also includes concentration risk in transactions groups of customers or cooperation partners.

The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for expected credit losses. The Company has no concentration of credit risk related to the loan issued to any one borrower.

The Company specializes in the financing of one sector of the economy - agriculture - which increases the risks associated with the market situation of the particular sector. However, agriculture has several sub-sectors – namely, cereals, dairy farming, livestock agriculture, vegetable growing, etc., whose market situations develop in an unrelated way. The Company also ensures geographical diversification by financing customers from various regions of Latvia.

The core principle of the Company's credit risk management is the ability of borrowers to meet their obligations to the Company, which is ensured by evaluating business partners before the start of the transaction, as well as through further continuous monitoring and evaluation. In order to make high-quality and balanced credit decisions, the Company monitors local and global trends in agricultural markets, as well as the impact of each season's weather on the expected local harvest. It also gets to know each specific borrower, analyzes his financial data and ability to repay the loan.

In order to maintain a sufficiently diversified loan portfolio with a low risk profile and to find a favourable balance between risk and return, the Company constantly strives to understand customers and their market conditions. When reviewing a loan application, the Company thoroughly analyses the cooperation partner's ability and willingness to repay the new as well as previous loans.

The cash flow and solvency of the business partner are the main variables when deciding on a loan, and the Company seeks to obtain sufficient collateral. The Company issues secured loans and unsecured loans. Most unsecured loans are seasonal financing for farmers secured by grain contracts.

Company's exposure to credit risk (excluding available collateral or other security):

	31.12.2020	%	31.12.2019	%
	EUR		EUR	
Loans with collateral	3 674 644	44	3 568 215	45
Loans without collateral	3 165 970	38	3 527 644	45
Financial lease receivables	1 153 562	14	700 346	9
Cash in bank	309 482	4	103 515	1
Maximum credit risk	8 303 658	100	7 899 720	100

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the legally substantiated claims from securities holders and other creditors or for contingent liabilities on time and in full, or will not be able to provide pre-planned asset growth with funding sources in a timely and appropriate and reasonable manner. The purpose of liquidity risk management is to maintain a sufficient amount and appropriate quality of liquid assets, as well as to attract financing with an appropriate term structure, which allows to ensure timely fulfilment of liabilities, as well as pre-planned growth of assets.

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and it makes current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial risk management (continued)

Liquidity risk (continued)

The total liabilities of the Company by term is reflected in the following table. The amounts disclosed in the table are contractual undiscounted cash flow.

31 December 2020, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	183 058	684 133	2 468 600	5 077 150	8 412 941	6 183 254
Lease liabilities	15 119	37 217	34 316	-	86 652	81 186
Other liabilities	11 142	-	-	-	11 142	11 142

31 December 2019, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	395 211	899 100	1 360 800	5 540 400	8 195 511	5 774 417
Lease liabilities	15 189	46 934	80 241	-	142 364	131 019
Other liabilities	9 280	-	-	-	9 280	9 280

Market risk

The Company is exposed to market risks, mostly related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company's services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

Cash flow and interest rate risk

Interest rate risk is related to the possible impact of general changes in market interest rates on the Company's interest income and expenses.

Loans issued by the Company are with a fixed interest rate, similarly as LCD Bonds and other short-term loans received. At the end of the reporting year, interest rate risk applies only to finance lease liabilities with interest rates applied consisting of base rate and variable rate (6M Euribor, 3M Euribor), however the balance of these liabilities compared to other liabilities is not particularly significant.

Management of the Company monitors fluctuations of interest rates on regular basis and, if necessary, takes measures in order to minimize negative impact of interest rate fluctuations on Company's operations.

Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, pandemic, crimes, etc) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk.

Foreign exchange risk

The Company's financial assets and liabilities are not exposed to foreign currency risk. All transactions are concluded in euros.

Management of the capital structure

In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholder's capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, other reserves and retained earnings.

At year-end the ratios were as follows:

	31.12.2020 EUR	31.12.2019 EUR
Liabilities, gross	6 275 582	5 914 716
Cash and bank	309 482	103 515
Net debts	5 966 100	5 811 201
Equity	1 945 944	1 874 592
Liabilities / equity ratio	3.22	3.16
Net liabilities / equity ratio	3.07	3.10

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

Accounting policies (continued)

(c) **Summary of significant accounting policies** (continued)

Financial risk management (continued)

Fair value considerations for assets and liabilities

Financial instruments by category

The Company's principal financial instruments are issued loans, cash and cash equivalents, issued bonds and other borrowings, payables to suppliers and other creditors. These financial instruments ensure day-to-day operations of the Company.

	31.12.2020 EUR	31.12.2019 EUR
Assets carried at amortized cost		
Issued loans and other receivables	7 866 924	7 635 439
Cash and cash equivalents	309 482	103 515
Total	<u>8 176 406</u>	<u>7 738 954</u>
Liabilities at amortized cost		
Issued debt securities (bonds)	4 745 000	4 860 000
Other borrowings	1 438 254	912 459
Lease liabilities, trade creditors and other payables	92 328	142 257
Total	<u>6 275 582</u>	<u>5 914 716</u>

Fair value hierarchy of assets and liabilities

In order to estimate the financial assets and liabilities fair value, the three-level fair value hierarchy is used.

- Level 1: active market published price quotations;
- Level 2: other methods that use data, all of which are directly or indirectly observable and have a significant impact on the recognized fair value;
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

No financial assets or liabilities of the Company are attributed to Level 1. Included in Level 2 are cash and cash equivalents and debt securities (bonds). Level 3 includes issued loans and other debts, other financial assets, payables and other liabilities.

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2020 and 2019 approximate their fair values, as explained below:

- the amortized cost of loans granted, net of provisions for the ECL, approximates their fair value, taking into account the short-term nature of these assets and the fact that their interest rate is similar to the average market interest rate for similar financial assets;
- the carrying amount of the issued bonds approximates their fair value, given that the rate of return quoted on the securities market is similar to the coupon rate of these bonds;
- the fair value of variable interest rate leases is similar to their carrying amount, as their actual variable interest rates approximate the market price of similar financial instruments available to the Company, ie the variable interest rate corresponds to the market price, while the added part of the interest rate corresponds to the risk premium charged by lenders in the financial and capital markets to companies with a similar credit rating level;
- the rate applied to loans received at fixed interest rates does not differ significantly from the comparable variable rate that the Company could receive from market lenders.

New standards and interpretations

Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2021. The IASB permits earlier application. For Company to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, the Company has not applied the following amendments in the financial statements for 2020.

Amendments for Interest Rate Benchmark Reform (phase 2)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 were issued in August 2020 and are applicable from 1 January 2021, with early application permitted. The amendments address the accounting issues that arise when financial instruments that reference an IBOR interest rate transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest Rate Benchmark Reform (the Reform), to be treated as changes to a floating interest rate. They also permit changes required by the Reform to be implemented in hedge designations

Notes to the financial statements (continued)

Accounting policies (continued)

(c) **Summary of significant accounting policies** (continued)

New standards and interpretations (continued)

Amendments for Interest Rate Benchmark Reform (phase 2) (continued)

and hedge documentation without the hedging relationship being discontinued. The amendments have not yet been approved by the EU. The impacts of adoption are not expected to be significant on the Company's financial position, results, cash flows or disclosures.

Other changes in IFRS

Other new or amended IFRSs or interpretations issued and not yet adopted are not expected to have a significant impact on the Company's financial position, results, cash flows or disclosures.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(1) Interest income

	2020	2019
	EUR	EUR
Interest income from issued loans	1 151 001	794 080
Other interest income	101 132	115 747
	1 252 133	909 827

All interest income is recognized at the effective interest rate and includes amortized commissions (2020: EUR 121 964 and 2019: EUR 76 636). All of the Company's revenues are generated in Latvia.

(2) Interest expense

LCD bonds' coupon expense	343 700	278 246
Interest on borrowings from Mintos Marketplace AS	154 056	56 982
Interest on other borrowings	86 133	68 082
Interest on borrowings from Citadele Banka AS	2 585	-
Interest on lease liabilities	3 962	2 981
Borrowing fees	6 520	9 498
Interest on borrowings from related companies	-	5 600
	596 956	421 389

(3) Impairment

Change of impairment allowance for issued loans (see Note 9)	40 000	70 000
	40 000	70 000

(4) Administrative expense

Staff costs	80 083	59 076
Legal services, including debt collection costs	57 534	43 381
IT costs	19 283	21 120
Accounting services and professional fees	20 098	19 061
Social insurance	19 292	14 200
Transportation expenses	12 162	12 387
Office rent	10 729	9 327
Depreciation of right-of-use assets	9 888	7 063
Office expenses	7 447	5 533
Communication expenses	5 368	3 624
Depreciation of property, plant and equipment	3 302	2 244
Insurance	1 638	1 276
Bank commission	475	545
Risk duty	18	14
Other administrative expenses	1 533	2 843
	248 850	201 694

(5) Other operating expenses

Trademark royalties	39 000	-
Debt recovery costs	22 219	28 936
Marketing and advertising costs	29 004	17 518
Sales promotion costs	3 919	4 834
Donations	6 000	3 300
Membership fees	105	3 176
Reimbursement of expenses	(3 138)	(3 527)
Other operating expenses	2 032	540
	99 141	54 777

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(6) Corporate income tax for the reporting year

	2020	2019
	EUR	EUR
Calculated and paid corporate income tax on distributed profit (see Note 12)	40 000	-
Tax allowance for donations	(3 600)	-
	36 400	-

As at 31 December 2020, the Company's retained earnings are EUR 445,919, all of which have arisen after 1 January 2018. If the highest possible dividend payment were approved, the Company would incur a corporate income tax liability in the amount of EUR 111,480.

(7) Property, plant and equipment

	Other fixed assets	Total
	EUR	EUR
Cost:		
31.12.2018.	11 513	11 513
31.12.2019.	11 513	11 513
Additions during 2020	552	552
31.12.2020.	12 065	12 065
Depreciation:		
31.12.2018.	4 432	4 432
Charge for 2019	2 244	2 244
31.12.2019.	6 676	6 676
Charge for 2020	1 638	1 638
31.12.2020.	8 314	8 314
Net book value 31.12.2018.	7 081	7 081
Net book value 31.12.2019.	4 837	4 837
Net book value 31.12.2020.	3 751	3 751

(8) Leases

Company as a lessee:

	2020	2019
	EUR	EUR
Right-of-use assets:		
1 January:		
Initial recognition amount	52 580	12 891
Depreciation accrued	(7 063)	-
Net book value 1 January:	45 517	12 891
Effect of leases refinanced during the reporting year	6 581	39 689
Charge for 2020	(10 729)	(7 063)
Net book value 31 December:	41 369	45 517
Lease liabilities:		
Net book value 1 January:	131 019	37 696
<i>Incl. long-term</i>	74 782	9 939
<i>short-term</i>	56 237	27 757
Effect of leases refinanced during the reporting year	6 581	139 689
Interest expenses on lease liabilities	3 962	2 980
Interest paid on lease liabilities	(3 962)	(1 999)
Decrease of lease liabilities	(56 414)	(47 347)
Net book value 31 December:	81 186	131 019
<i>Incl. long-term</i>	29 738	74 782
<i>short-term</i>	51 448	56 237

Assets received under finance leases are leased under finance leases to the Company's customers.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(8) Leases (continued)

Company as a lessor (financial lease)

Undiscounted lease payments expected after reporting date and within:	31.12.2020 EUR	31.12.2019 EUR
1 year	654 920	475 830
2-5 years	663 483	357 183
Total undiscounted lease payments receivable	<u>1 318 403</u>	<u>833 013</u>
Discounted unguaranteed residual value	-	-
Unearned finance income	<u>(181 984)</u>	<u>(132 667)</u>
Net investment leasing	<u>1 136 419</u>	<u>700 346</u>
Interest income on the net investment	<u>127 496</u>	<u>76 411</u>

The lessor's portfolio mainly includes agricultural machinery and equipment. Residual value risk is not significant as there is a secondary market.

(9) Loans

Loans – long-term portion, net	1 538 694	741 174
Loans – short-term portion, net	<u>6 240 482</u>	<u>6 880 031</u>
Total	<u>7 779 176</u>	<u>7 621 205</u>

Including:

Loans - long-term portion, gross	1 563 277	748 674
Loans - short-term portion, gross	6 430 899	7 047 531
Total loans, gross	<u>7 994 176</u>	<u>7 796 205</u>
Allowance for expected credit losses	<u>(215 000)</u>	<u>(175 000)</u>
Total loans, net	<u>7 779 176</u>	<u>7 621 205</u>

Loans – movement during the year

	2020 EUR	2019 EUR
Net book value as at 1 January	7 621 205	5 527 016
Loans issued	9 813 143	8 185 623
Loans repaid	(9 562 778)	(6 163 279)
Interest charge	1 252 133	909 827
Interest payments received	(1 304 527)	(767 982)
Write-offs	-	-
Increase in impairment allowance	(40 000)	(70 000)
Net book value as at 31 December	<u>7 779 176</u>	<u>7 621 205</u>

As at 31 December 2020 the Company has no credit risk concentration for loans issued to one major customer or group of partners.

Company's maximum exposure to credit risk on finance leases and loans issued against the pledge is the loan/finance lease amount decreased by the value of the pledge. Loans are usually issued in amount of 70-80% of the pledge value.

Company's maximum exposure to credit risk on unsecured loans is the remaining amount of the loans issued. The risk is compensated by the concluded grain contracts.

Loan (gross) age analysis:

	31.12.2020 EUR	31.12.2019 EUR
Not overdue	7 668 185	6 930 842
Overdue for 1 - 30 days	2 444	131 613
Overdue for 31 - 90 days	58 960	546 264
Overdue for 91 - 180 days	67 860	55 130
Overdue for more than 180 days	196 727	132 356
	<u>7 994 176</u>	<u>7 796 205</u>

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(9) Loans issued (continued)

Movement of impairment allowance:

	2020	2019
	EUR	EUR
Allowance at the beginning of the year	175 000	105 000
Additional allowance	140 000	155 000
Recovered debts	(100 000)	(85 000)
Allowance at the end of the year	<u>215 000</u>	<u>175 000</u>

Breakdown of loans issued according to their qualitative assessment

	Stage 1 (12 month ECL)	Stage 2 (lifetime ECL)	Stage 3 (impaired/ life-time ECL)	Total
	EUR	EUR	EUR	EUR
31.12.2020				
Gross carrying amounts	7 290 709	551 871	151 596	7 994 176
ECL allowances	(72 907)	(25 235)	(116 858)	(215 000)
Net carrying amounts	<u>7 217 802</u>	<u>526 636</u>	<u>34 738</u>	<u>7 779 176</u>
ECL coverage ratio	0,01	0,05	0,77	0,03
31.12.2019				
Gross carrying amounts	7 062 455	439 650	294 100	7 796 205
ECL allowances	(70 625)	(7 390)	(96 985)	(175 000)
Net carrying amounts	<u>6 991 830</u>	<u>432 260</u>	<u>197 115</u>	<u>7 621 205</u>
ECL coverage ratio	0,01	0,02	0,33	0,02

Gross carrying amounts and ECL allowances for credit-impaired loans allocated to stage 3 and the fair value of collaterals for these assets

Stage 3 (impaired/ life-time ECL)	Gross carrying amounts	ECL allowances	Net carrying amounts	Fair value of collateral held
	EUR	EUR	EUR	EUR
31.12.2020	151 596	(116 858)	34 738	45 000
31.12.2019	294 100	(96 985)	197 115	95 000

(10) Other debtors

	31.12.2020	31.12.2019
	EUR	EUR
LCD bonds' coupon	81 900	12 950
Taxes overpaid	3 240	17
Prepaid expenses	2 608	1 267
	<u>87 748</u>	<u>14 234</u>

(11) Cash and bank

Cash at bank	<u>309 482</u>	<u>103 515</u>
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While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, since cash at bank are held in Range A banks (Moody's rating), the identified impairment loss is immaterial and allowance was not recognised.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(12) Share capital and dividends

As at 31 December 2020 the subscribed and fully paid share capital the Company is EUR 1 500 000 that consists of 50 000 ordinary shares with a nominal value of EUR 30 each.

On 1 October 2020, the shareholders of the Company made a decision on the distribution of profit in the total amount of EUR 160 000 or approximately EUR 3,2 per share (rounded).

(13) Borrowings

	Note	31.12.2020 EUR	31.12.2019 EUR
Bonds issued	(13a)	4 745 000	4 860 000
Other borrowings	(13b)	1 000 000	-
Long-term part of borrowings		5 745 000	4 860 000
Bank borrowings	(13c)	207 585	-
Mintos Marketplace AS	(13b)	160 669	174 128
Other borrowings	(13b)	70 000	740 289
Short-term part of borrowings		438 254	914 417
Total borrowings		6 183 254	5 774 417

(13a) Bonds issued

LCD Bonds, long-term	4 745 000	4 860 000
	4 745 000	4 860 000

The Company has issued bonds (ISIN LV0000802106, registered in Latvian Central Depository, listed in AS Nasdaq Riga). As at the end of reporting year total amount of bonds listed in AS Nasdaq Riga is 1200 bonds, 5 000 EUR nominal value each (total nominal value 6 000 000 EUR) (31.12.2019: 1 000 bonds, 5 000 EUR nominal value each). As at 31 December 2020, 251 bonds are held by the Company itself (31.12.2019: 28 bonds). The coupon rate is 7% and it is paid once a year – on December 31. The nominal value of the bonds will be redeemed in one payment on the redemption date of the bonds. The expiry date of the bonds is 31 December 2026. Most of the holders (excluding bonds for amount of EUR 1 395 000) have an option to sell-back the bonds in the end of each calendar year, with a prior 1-month notice. So far, no such requests have been received.

(13b) Other borrowings

Long-term part (payable after more than 1 year and less than five years):

SIA KEY INVESTMENT	1 000 000	-
Long-term part of other borrowings	1 000 000	-

Short-term part:

SIA KEY INVESTMENT	70 000	540 000
AgroCredit Finance SIA	-	200 289
Mintos Marketplace AS	160 669	174 128
Short-term part of other borrowings	230 669	914 417

Total other borrowings	1 230 669	914 417
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As at 31 December 2020 the Company has the following borrowings:

- unsecured loan from SIA KEY INVESTMENT according to the loan agreement from 8 December 2020 in total amount of EUR 1 070 000 with the annual interest rate of 7% and repayment date 31 December 2023.
- an agreement was signed on 25 January 2019 with AS Mintos Marketplace whereas AgroCredit uses the Mintos internet platform to attract funds from investors to provide credit resources. For borrowed funds, AgroCredit pays investors the interest rate indicated on the platform (normally 6-7% per annum), as well as fee to Mintos (depending on the total amount financed, 1.3-2% per annum). The repayment term for the borrowing which is related to the current grain season, is set at 31.10.2021.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(13) Borrowings (continued)

(13c) Bank borrowings

	31.12.2020	31.12.2019
	EUR	EUR
Citadele Banka AS – principal amount	220 000	-
Capitalised commission	(13 637)	-
Accrued interest	1 222	-
Total bank borrowings	207 585	-

On 11 December 2020, the Company concluded credit facility agreement with AS Citadele Banka. According the agreement, total limit of the credit facility is EUR 1 950 000. Annual interest rate consists of variable rate 6M Euribor and fixed base rate. The repayment date is October 31, 2021.

The collateral of the contract is pledge on the Company's shares, as well as the Company's assets as a whole at the date of pledge as well as their future components.

The contract provides for several covenants including the structure of the credit portfolio and other requirements.

(13d) Borrowings – movement during the year

	2020	2019
	EUR	EUR
Net book value as at 1 January	5 774 417	4 050 000
Borrowings received	8 691 748	8 086 420
Borrowings repaid	(8 270 208)	(6 363 962)
Interest charge	586 474	416 094
Interest paid	(599 177)	(414 135)
Net book value as at 31 December	6 183 254	5 774 417

(14) Trade creditors and other liabilities

	31.12.2020	31.12.2019
	EUR	EUR
Debt for goods and services received	6 640	3 813
Accrued liabilities	4 417	5 233
Other liabilities	85	234
	11 142	9 280

(15) Related party transactions

Payables and receivables from related parties and the transactions performed during reporting period

	Type of transaction	Transaction value	Outstanding liabilities	Transaction value	Outstanding liabilities
		2020		2019	
		EUR	EUR	EUR	EUR
Loan from related company	Loan received	3 470 000	-	2 043 000	-
	Loan repaid	(2 940 000)	-	(2 203 000)	-
	Interest charge	43 222	-	18 323	-
	Outstanding balance as at 31 December	-	1 070 000	-	540 000
Loan from shareholder	Loan received	-	-	199 000	-
	Loan repaid	(199 000)	-	-	-
	Interest charge	271	-	764	-
	Outstanding balance as at 31 December	-	-	-	199 000

Except for the above transactions, the Company has not performed any other related party transactions during the reporting year.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(TRANSLATION FROM LATVIAN)

Notes to the financial statements (continued)

(16) Average number of the Company's employees

	2020	2019
Average number of employees during the reporting year:	4	3

(17) Personnel costs


	2020	2019
	EUR	EUR
Salary expenses	54 883	33 812
Social insurance	13 221	8 161
	68 104	41 973
incl. management remuneration:		
Salary expenses	25 200	25 264
Social insurance	6 071	6 039
	31 271	31 303

(18) Subsequent events

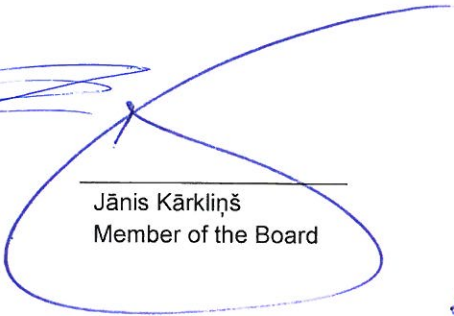
There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2020.

(19) Distribution of the profit proposed by the Board


The Management Board recommends to the shareholders to pay dividends in amount of 23 000 EUR and to retain the remaining profit in amount of 208 352 EUR undistributed.



 Ģirts Vinters
 Chairman of the Board



 Jānis Kārklīņš
 Member of the Board



 Evija Šverna
 Accountant

Rīga, 28 April 2021

Independent Auditor's Report

To the shareholders of SIA AgroCredit Latvia

Report on the audit of financial statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA AgroCredit Latvia ("the Company") set out on pages 6 to 27 of the accompanying annual accounts, which comprise:

- the statement of comprehensive income for the year ended 31 December 2020,
- the statement of financial position as at 31 December, 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- statement of cash flows for the year ended 31 December 2020, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA AgroCredit Latvia as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 28 April 2021.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Expected credit losses on loans issued

Refer to Section "Impairment of financial assets at amortised cost. Expected credit losses" on pages 13 and 14 of the financial statements and Note 9 on pages 23 and 24 respectively.

We focused on this area because loans issued represent a significant part of the Company's assets and application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires subjective judgements over both timing of recognition of impairment and the size of any such impairment.

As disclosed in Note 9 to the Financial statements, the net balance sheet value of loans issued as at 31 December 2020 amount to EUR 7 779 176. As at 31 December 2020 expected credit losses for loans issued amounted to EUR 215 000 and net loss for 2020 from the impairment allowance amounted to EUR 40 000.

Our audit procedures, amidst others, included the following:

- discussion with the management of the Company regarding the specifics of the current market situation, including the impact of Covid-19 crisis on the agriculture industry, expected profit levels and ratios of asset return;
- updating our understanding of general principles applied to loan issuance and the adequacy of control procedures applied for the monitoring of borrowers;
- assessing whether the Company's accounting policies in relation to the ECL of issued loans are in compliance with IFRS 9 by assessing each significant model component;
- performing detailed audit procedures on the reliability of loan data, checking the dates of agreements, loan amounts issued and repaid, on sample basis.
- review of adequacy of ageing analysis of loans issued on a sample basis, as ageing analysis is one of the ECL components;

Key audit matter

ECL rate is affected by the carrying value of defaulted asset, the probability of default and other risk factors known, as well as expected cash flows from loan repayment or pledge realisation, as well as modifications of ECL model in the result of microeconomic scenarios. For determination of components for ECL calculation, the management of the Company applies a number of significant assessments and judgements.

How our audit addressed the key audit matter

- in accordance with the ECL model developed by the Company, as well as our test results, identified accounts receivable with the highest risk level and substantively tested ECL recognition;
- evaluating the adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for;
- analytical tests of consistency and adequacy of ECL model application;
- evaluating the loan repayment dynamics after the balance sheet date;
- we have reviewed the disclosures to the financial statements.

Reporting on Other Information

Management is responsible for the other information. The other information comprises:

- the Management report, as set out on pages 3 to 4 of the accompanying annual accounts,
- the Statement of Management's Responsibility and Corporate governance statement, as set out on page 5 of the accompanying annual accounts,
- the Statement of Corporate Governance, set out in separate statement prepared by the Company's management and at the date of this auditor's report available on the Company's website <http://www.agrocredit.lv/>.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with 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 and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibility 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56.² section 3 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance available on the Company's website <http://www.agrocredit.lv/> at the date of this auditor's report includes the information required in Article 56.² section 3 of the Financial Instruments Market Law.

To the best of our knowledge and belief, we declare that we have not provided to the Company any non-audit services prohibited in accordance with Article 37.⁹ of the Law on Audit Services of the Republic of Latvia.

Appointment

We were first appointed as auditors for the Company's financial statements for the year ended 31 December 2016. This is the fifth consecutive year of our appointment as auditors.

The responsible certified auditor on the audit resulting in this independent auditor's report is Lolita Čapkeviča.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99



Lolita Čapkeviča
Responsible Certified Auditor
Certificate No. 120
Member of the Board

Riga, 28 April, 2021