



Publisko aktīvu pārvaldītājs

Possessor

INTERIM PERIOD - 2022
SHORT REPORT (UNAUDITED)

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INFORMATION ABOUT THE COMPANY

Full name of the company	SIA "Public asset manager Possessor"		
Type of society	society with limited responsibility		
Registration number, place and date	40003192154 in Riga, April 22, 1994		
	On November 1, 2004, re-registration was carried out in the commercial register of the Enterprise Register of the Republic of Latvia		
	On October 9, 2020, a reorganization was carried out, transforming a joint-stock company into a limited liability company		
Members of the Board	Andris Gydmanis – chairman of the board (from 06.11.2020) Marina Podvinska – member of the board (from 06.11.2020) Kaspars Kocijš – member of the board (from 21.04.2022) Dace Gaile – member of the board (until 20.04.2022)		
Legal address	Cr. 31 Valdemāra Street, Riga, LV-1887		
Financial reporting period	January 1, 2022 - December 31, 2022		
News about subsidiaries	LAS "Reverta" Cr. 31 Valdemāra street, Riga, LV-1010 Equity share 96.89%		
	SIA "REAP" Cr. 31 Valdemāra street, Riga, LV-1010 Equity share 100%		
	SIA "FeLM" Cr. 31 Valdemāra street, Riga, LV-1010 Equity share 100%		
Representative of the holder of capital shares			
Edmunds Valantis	from 02.06.2020	State Secretary of the Ministry of Economy	

MANAGEMENT REPORT

The most important developments in 2022

In 2022, SIA "Public asset manager Possessor" (hereinafter - the Company) continued work on the development (privatization and expropriation) of the portfolio of state assets in its possession, as well as the execution of the tasks specifically assigned by the Cabinet of Ministers, related to the management of the subsidiaries owned by it.

In connection with the disease caused by the coronavirus, Covid-19, during the reporting period, the Company continued to implement a series of precautionary measures aimed at protecting its employees, customers and partners from the possible impact of Covid-19, as well as reducing disruptions in the operation of the capital company during a possible outbreak of Covid-19. All security measures are implemented in accordance with the decisions and recommendations made by the Cabinet of Ministers and other responsible state institutions.

On February 24, 2022, the Russian Federation started hostilities in Ukraine. The European Union and other countries have imposed various economic sanctions against the Russian Federation, and their volume is constantly increasing. There is considerable uncertainty regarding the potential outcome of hostilities and the impact of imposed sanctions, as well as the response of the Government of the Russian Federation.

The most important indicators

The company's net turnover in 2022 is 2.60 million. *euros*. The total amount of the company's assets on December 31, 2022 is 13.45 million. *euro* and equity is 11.59 million. *euros*.

In 2022, as a result of the development of the state property portfolio, the Company concluded a total of 237 purchase contracts for 2.36 million. worth of *euros*, including:

• 0.64 million purchase contracts for the expropriation of 180 apartment properties, residential houses or their supposed parts. worth of *euros*; • 54 contracts for the purchase of built-up plots of land and non-residential buildings for 1.24 million. worth of *euros*; • 3 transactions of disposal of capital shares 0.48 million. worth of *euros*.

As a result of the development of the portfolio of state assets in actual possession (holding), in 2022, the Company has transferred to the state and local government budgets revenues from the privatization, expropriation, leasing of state properties and the fulfillment of obligations of land purchase agreements in the amount of 4.66 million. in the amount of *euros*.

Subsidiaries

JSC "Reverta" in liquidation

During the reporting period, AS "Reverta" in liquidation (hereinafter - LAS "Reverta") continued to defend its interests in court proceedings. As of December 31, 2022, the group includes one subsidiary of LAS "Reverta" - Regalite Holdings Limited (Cyprus). Total
The asset value of LAS "Reverta" on December 31, 2022 was 1.72 million. *euros*.

SIA "REAP"

During the reporting period, SIA "REAP" continued work on the use of claim rights taken over from LAS "Reverta", including against debtors in the Republic of Latvia and the Russian Federation. The total value of SIA "REAP" assets on December 31, 2022 was 10.48 million. *euros*.

SIA "FeLM"

During the reporting period, SIA "FeLM" completed the realization of the remaining stocks taken over and continued the realization of claim rights against MAS "KVV Liepājas metalurģs", earning income from the disposal of movable property. The total value of SIA "FeLM" assets on December 31, 2022 was 0.39 million. *euros*.

MANAGEMENT REPORT

Financial risk management

The most important sources of financing for the Company are funds that the Company receives as a result of concluded transactions in the form of regulatory deductions and from the reserve fund. The company also has other financial tools, such as other debtors, debts to suppliers and contractors and other creditors, which result directly from its economic activity.

The main financial risks related to the Company's financial instruments are credit risk, currency risk, liquidity risk and litigation risk. The company's management has implemented appropriate procedures to control material risks.

Credit risk

The company is exposed to credit risk in connection with issued short-term and long-term loans, cash and its equivalents.

The company controls its credit risk by constantly evaluating the solvency of business partners and the most important debtors, ensuring payment monitoring, as well as making provisions for potential losses. Based on the current structure of the Company's financial assets and liabilities, the credit risk is not significant.

Currency risk

Based on the current structure of the Company's financial assets and liabilities, the currency risk is not significant.

Liquidity risk

The company controls its liquidity risk by maintaining an adequate amount of cash and cash equivalents and constantly monitors payments related to the purchase and lease agreements of state property objects. The company improves cash flow planning and monitoring tools, as well as regularly analyzes liquidity and funding provision. Based on the current structure of the Company's financial assets and liabilities, liquidity risk is not significant.

Risk of litigation

The company is exposed to the risk of legal proceedings in connection with its operation, as well as the performance of the tasks of the state administration delegated to it and specially given tasks, the control of the execution of contracts for the purchase of state-owned objects and the conditions of privatization or expropriation contained in them. The company has developed procedures to mitigate the impact of this risk. In case of necessity, the Company makes provisions for certain legal proceedings in the amount of possible future expenses.

Andris Gydmanis
Chairman of the Board

Kaspars Kocins
Member of the Board

Marina Podvinska
Member of the Board

CALCULATION OF PROFIT OR LOSS

	Note	2022 EUR	2021 EUR
Net sales	3	2,600,525	
Other operating income	4	1,223,409	
Personnel costs:		(1,625,544)	
⁹ compensation for		(1,289,139)	2,635,983,267,200 (1,800,70
⁹ work state social insurance			
mandatory		(299 179)	(333 397)
⁹ contributions other social security			
costs		(37,226)	(38,067)
Impairment adjustments: Impairment		(120,682)	(99,000)
⁹ adjustments for fixed assets			
and intangible assets		(120,682)	(99,000)
Other costs of economic activity	5	(837,174)	(775,901)
Profit or loss before corporate income tax		1,240,534	227,513
Profit or loss for the reporting period		1,240,534	227,513

The appendix from pages 11 to 22 is an integral part of this financial report.

Andris Gydmanis
Chairman of the Board

Kaspars Kocins
Member of the Board

Marina Podvinska
Member of the Board

Jolanta Roze
Head of the Finance Department

BALANCE SHEET

		31.12.2022 EUR	31.12.2021 EUR
Active	Note		
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		40,877	79,094
Total intangible assets	6	40,877	79,094
Fixed assets			
Real estate: land plots,		2,534,671	2,567,094
buildings and engineering structures		2,534,671	2,567,094
Other fixed assets and inventory		70,226	45,802
Creation of fixed assets and costs of unfinished construction objects		33 154	33 154
Fixed assets	7	2 638 051	2 646 050
Long term financial investment			
Participation in the capital of related companies	8	6,000	6,000
Long-term financial investments together		6,000	6,000
Long-term investments together		2,684,928	2,731,144
Current assets			
Savings			
Raw materials, basic materials and auxiliary materials		10,701	14,926
Stocks together		10,701	14,926
Debtors			
Trade payables	9	48 121	166,326
Debts of related companies		-	-
Other debtors	10	868	844
payments of the next period	11	19 428	19 135
Accrued income		-	33 135
Debtors together		68,417	219 440
Short-term financial investments			
Participation in the capital of related companies	8		
Short-term financial investments in total		1 1	1 1
Money	12	10,686,065	10,004,313
Total current assets		10,765,184	10,238,680
Total assets		13,450,112	12,969,824

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Head of the Finance Department

BALANCE SHEET

		31.12.2022 EUR	31.12.2021 EUR
	Note		
Passive			
Equity			
Share capital (share capital)	13	446 064 930	446 064 930
Revaluation reserve for long-term investments		487 659	495 451
Reserves:			
other reserves		1 1	1 1
Uncovered losses of previous years		(436,205,300)	(436 432 813)
Profit or loss for the reporting period		1,240,534	227 513
Total equity		11,587,824	10,355,082
Savings			
Other savings	14	642 818	676 055
Total savings		642 818	676 055
short-term creditors			
Debts to suppliers and contractors		10,459	8 181
Taxes and mandatory state social insurance contributions	15	50 549	67 853
Other creditors	16	900 142	1 662 422
Deferred earnings			7 225
Accrued liabilities	17	3 258 317	193 006
Short term creditors together		1,219,470	1,938,687
Creditors together		1,219,470	1,938,687
Total liabilities		13,450,112	12,969,824

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Head of the Finance Department

CASH FLOW STATEMENT

	2022 EUR	2021 EUR
Operating cash flow		
Profit or loss before corporate income tax	1,240,534	227,513
Adjustments:		
impairment of fixed assets, impairment of intangible	64 938	52 369
assets, impairment of intangible assets, creation of provisions	47 952	38 840
(except provisions for bad debts), profit or loss from fluctuations in foreign	(33 237)	23 349
exchange rates, other interest income and similar income	-	-
	-	-
Profit or loss before adjustments for the effect of changes in current	1,320,187	342 071
assets and current accounts payable balances		
Decrease or increase in accounts receivable balances	151 023	325 850
Decrease or increase in inventory balances	4 225	1 198
Decrease or increase in balances of debts payable to suppliers, contractors and		
other creditors	(719 217)	(479 221)
Gross operating cash flow	756 218	189 898
Net operating cash flow	756 218	189,898
Cash flow from investing activities		
Purchase of fixed assets and intangible investments	(74,466)	(91,938)
Income from repayment of loans	-	-
Interest received	-	-
Net cash flow from investing activities	(74,466)	(91,938)
The result of fluctuations in foreign exchange rates	-	-
Net cash flow for the reporting period	681 752	97,960
Balance of cash and cash equivalents at the beginning of the reporting period	10,004,313	9,906,353
Balance of cash and cash equivalents at the end of the reporting period	10,686,065	10,004,313

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Jolanta Roze
Head of the Finance Department

STATEMENT OF CHANGES IN EQUITY

	Share capital (share capital)	Revaluation reserve for long-term investments	Reserves	Retained earnings	In total
	EUR	EUR	EUR	EUR	EUR
On December 31, 2020 , the	446 064 930	503 243	1	(436,432,813)	10,135,361
decrease in the balance of the revaluation reserve for long-term investments.	-	(7,792)	-	-	(7,792)
The profit for the	-	-	-	227,513	227,513
reporting year on December	446 064 930	495 451	1 (436,205,300)		10,355,082
31, 2021. The decrease in the balance of the revaluation reserve for long-	-	(7,792)	-	-	(7,792)
term investments.	-	-	-	1,240,534	1,240,534
	446 064 930	487,659	1 (434,964,766)		11,857,824

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Andris Gydmanis
Chairman of the Board

Kaspars Kocins
Member of the Board

Marina Podvinska
Member of the Board

Jolanta Roze
Head of the Finance Department

APPENDIX TO THE FINANCIAL STATEMENT

1. General information about the Company

The company was founded on April 22, 1994 as a non-profit organization, a state joint-stock company. On November 1, 2004, the Company was registered in the commercial register of the Enterprise Register of the Republic of Latvia as a state joint-stock company "Privatization Agency". On June 3, 2019, the name of the state joint-stock company "Privatization Agency" was changed, becoming JSC "Public asset manager Possessor" (the name change process was completed on August 23, 2019). In compliance with the transitional provisions of the Law on the Management of Capital Shares and Capital Companies (hereinafter - the Law on the Management of Capital Companies), the legal form of the capital company was changed in 2020, transforming it into a limited liability company.

The changes were registered in the commercial register of the Enterprise Register of the Republic of Latvia on October 9, 2020.

According to the statutes and the NACE classification, the Company carries out the following commercial activities: operations with securities (66.12), fund management (66.30), operations with real estate (68), consulting in commercial activities and management (70.22), general public service activities (84.11).

In accordance with the procedures provided for in legal acts and in compliance with the rights and obligations set forth in them, the Company manages and, within the scope of its competence, handles state-owned property objects transferred to its actual possession (possession) - prepares state-owned objects for sale, organizes and carries out evaluation of state-owned objects, organizes and conducts auctions, evaluates the offers of potential buyers of state-owned objects, concludes contracts on behalf of the state for the sale of state-owned objects transferred to the Company, administers the monitoring of the fulfillment of the obligations of the concluded contracts, and also performs certain actions to ensure the fulfillment of contracts.

The company carries out the tasks of the state administration delegated to it, as well as the tasks specifically assigned by separate orders of the Cabinet of Ministers in the following areas of activity - "Privatization of land plots and non-residential buildings", "Privatization of residential houses and apartment properties", "Land plots, non-residential buildings, residential houses and apartment properties expropriation", "Equity shares and problem assets" and "Privatization certificates".

On July 14, 2022, the Cabinet of Ministers adopted regulations No. 459 "Regulations on support for the construction of residential rental houses of the European Union Recovery and Resilience Mechanism Plan 3.1. reform and investment direction "Regional policy" 3.1.1.4.i. investments within the framework of "Creating a financing fund for the construction of low-rent housing". As part of this support program developed by the Ministry of Economy, in which the long-term loan is granted by the joint-stock company "Development Financial Institution Altum", the Possessor is tasked with providing post-monitoring functions of the low-rent housing construction program.

1.1. Privatization of land plots and non-residential buildings

The company carries out the task of the state administration delegated to it - privatization of real estate objects, including state plots of land, in the Law "On the Privatization of State and Local Government Property Objects" (hereinafter - the Privatization Law) and in the Law on Privatization of State and Local Government Property and Completion of the Use of Privatization Certificates (hereinafter - Privatization Completion Law) within the defined competence. The task of the state administration has been delegated to the Company in accordance with the Cabinet of Ministers Regulation No. 557 of November 26, 2019 "Regulations on the delegation of the administration task of the institution carrying out the privatization of state assets" (hereinafter - Regulations No. 557).

1.2. Privatization of residential houses and apartment properties By the

order of the Cabinet of Ministers of May 29, 2009 No. 353 "On the liquidation of the State Agency for Construction, Energy and Housing" As of July 1, 2009, the functions of privatization and management of state-owned and state-owned residential houses were transferred to the company in accordance with the law "On Privatization of State and Local Government Residential Buildings". The task of the state administration has been delegated to the Company in accordance with the Cabinet of Ministers Regulation No. 431 of September 17, 2019 "Regulations on the delegation of the administration task of the institution carrying out the privatization of state residential houses" (hereinafter - Regulations No. 431).

1.3. Expropriation of land plots, non-residential buildings, residential houses and apartment properties

In the cases specified in Section 5, Part 3.1 of the Law on the Expropriation of Property of a Public Person (hereinafter referred to as the Expropriation Law), i.e. if the privatization of real estate has been terminated or the right of privatization has not been exercised within the term specified in the law, and the real estate is in the possession of the Company, the Company shall dispose of the state real estate object, including the expropriation of state plots of land in accordance with Regulation No. 109 of February 1, 2011 "The procedure for expropriation of property of a public person" (hereinafter - Regulation No. 109).

In the cases specified in Section 9, Part 1.3 of the Expropriation Law, ie if the residential house or apartment property is in the possession of the Company, as well as if the residential house, its supposed parts or the property of the apartment is recognized as the property of no heirs or ownerless persons for which no claims of creditors have been filed, and in case, when the creditors do not use them, the Company expropriates state-owned and state-owned residential houses, their presumed parts or apartment properties in accordance with Regulations No. 109.

Also, Possessor ensures the management of residential houses and apartment properties until the moment when they are handed over to the owners of the apartments.

APPENDIX TO THE FINANCIAL STATEMENT

1. General information about the Company (continued)

1.4. Equity and distressed assets

The company manages and privatizes state capital shares in accordance with the Privatization Law and the Completion Law. The task of the State Administration has been delegated to the Company in accordance with Regulations No. 557. The Company implements the management and disposal of state capital shares in accordance with the Law on the Management of Capital Companies.

The management of state capital shares is ensured in accordance with the principles and guidelines of the Corporate Governance Code, observing the competences and conditions specified in the Commercial Law, the Law on the Management of Capital Companies and other regulatory acts.

The company ensures the management of problematic assets (subsidiaries) in accordance with the decisions made by the Cabinet of Ministers and the European Commission:

• LAS "Reverta" (as of December 31, 2022, the Company's shareholding is 96.89%): in accordance with the decision of the Cabinet of Ministers of February 24, 2009, the Company purchased shares of LAS "Reverta" (previously AS "Parex banka") with the aim of providing management of capital shares and organization of share sales. On July 6, 2017, the decision to start the liquidation of LAS "Reverta" was registered in the commercial register of the Enterprise Register of the Republic of Latvia; • SIA "REAP" (on December 31,

2022, the Company's participation is 100%): in compliance with the decision of the Cabinet of Ministers of November 14, 2017, the Company established a subsidiary company with the purpose of operation - assets taken over from LAS "Reverta", including rights of claims, management; • SIA "FeLM" (on December 31, 2022, the

Company's participation is 100%): on April 1, 2016, in accordance with the decision of the Cabinet of Ministers of March 22, 2016, the limited liability company "FeLM" was established, the purpose of which is to claim against Management of MAS "KVV Liepājas metalurģs".

1.5. Privatization certificates

According to Cabinet of Ministers Regulation No. 172 of April 1, 2014 "Regulations on delegation of the task of administering the circulation of privatization certificates" (hereinafter - Regulations No. 172), the public administration task is delegated, within the framework of which the use and deletion of privatization certificates is controlled, as well as other activities related to the supervision of the circulation of privatization certificates are carried out.

1.5.1. Privatization certificate account servicing

From October 1, 2016, the Company ensures the maintenance of all privatization certificate accounts, providing their owners with services related to the circulation of privatization certificates. This state administration task has been delegated to the Company in accordance with Cabinet of Ministers Regulation No. 624 of September 20, 2016 "Regulations on delegation of the task of servicing accounts of privatization certificates" (hereinafter - Regulations No. 624). Also, the Company provides servicing of privatization certificate accounts in which payments are made for the privatization of state and local government residential houses, based on the Cabinet of Ministers' regulations No. 625 of September 20, 2016 "Regulations on the servicing of privatization certificate accounts of the state administration task, in which payments are made for for the objects of privatization of residential houses and the transfer of ownership of apartments, artist's workshops and non-inhabitable premises until the privatization of the residential house, - delegation" (hereinafter - Regulations No. 625).

1.5.2. Land redemption within the framework of land reform

The company, in compliance with the Cabinet of Ministers' regulations of October 15, 2013 No. 1106 "Procedures for concluding land redemption (purchase) contracts", within the framework of land reform, concludes land redemption (purchase) contracts with former land owners or their heirs, if the restored or assigned equivalent plot of land the area is larger than the area of the land to which property rights are to be renewed, and it exceeds the boundaries of non-connection permitted in the land cadastral survey. This task of the state administration was delegated to the Company in accordance with the Cabinet of Ministers' regulations No. 623 of September 20, 2016 "Regulations on the conclusion of state administration tasks - land redemption (purchase) contracts, control of the execution of these contracts and transfer of unredeemed land to the ownership of local governments - delegation" (further – Regulations No. 623). Within the framework of the above-mentioned task, the Company performs the administration of the fulfillment of the obligations specified in the previously concluded land payment purchase agreements.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of important accounting principles

Guidelines for the preparation of the financial report

The company's financial report is prepared in accordance with the Law on Annual Reports and Consolidated Annual Reports and covers the period from January 1, 2022 to December 31, 2022.

According to the criteria established by the law, the Company is classified as a medium-sized company.

The law provides additional relief for small and medium-sized companies in the preparation of the financial report, but at the same time it also stipulates that the financial report must provide a true and clear picture of the company's financial position and profit or loss, and the annual report of medium-sized and large companies must also present the cash flow.

The financial report is prepared in accordance with the principle of initial value accounting.

In the financial statement, the monetary unit is *the euro* (EUR).

The income statement is classified by type of expense. The cash flow statement is prepared using the indirect method.

Use of estimates

When preparing the financial report, the management has to rely on certain estimates and assumptions, which affect the balances of the balance sheet and profit or loss statement items reflected in individual reports, as well as the amount of possible liabilities.

Future events may affect the assumptions on which the relevant estimates are made. Any impact of changes in estimates is reflected in the financial statements at the time they are determined.

Revaluation of foreign currencies

The functional currency of the company and the currency used in the financial statement is the monetary unit of the Republic of Latvia, *the euro* (EUR). All transactions in foreign currencies are revalued in EUR according to *the euro* reference rate published by the European Central Bank on the day of the relevant transaction. Monetary assets and liabilities denominated in foreign currency are converted into EUR according to the *euro* reference rate published by the European Central Bank on the last day of the reporting period. Exchange rate differences arising from settlements in currencies or when reflecting asset and liability items using exchange rates that differ from the exchange rates originally used for accounting transactions are recognized in the profit or loss statement at net value.

Intangible assets

Intangible assets are recorded at their original cost, which is amortized over the asset's useful life using the straight-line method. If any events or changes in circumstances indicate that the carrying value of intangible assets may be irrecoverable, the value of the relevant intangible assets is reviewed for impairment. Impairment losses are recognized when the carrying amount of intangible assets exceeds their recoverable amount.

Fixed assets

Fixed assets are recorded at their original value less accumulated depreciation and impairment. Depreciation is not calculated for land. Depreciation is calculated over the useful life of the asset using the straight-line method:

Buildings	in 100 years
Technological equipment and devices	in 5 years
Other fixed assets	in 3 – 7 years

Depreciation is calculated starting from the next month after the fixed assets are put into operation or involved in economic activity. For each part of the fixed asset, if the costs are significant in relation to the total costs of this fixed asset, depreciation must be calculated separately. If the Company separately depreciates some parts of the fixed asset, it also separately depreciates the remaining parts of the same fixed asset. The balance consists of those parts of the fixed asset that are not individually important. Depreciation of the remaining parts is calculated using approximation methods to truly reflect their useful lives.

If any events or changes in circumstances indicate that the carrying value of fixed assets may be irrecoverable, the value of the relevant fixed assets is reviewed to determine their impairment. When determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding changes in the asset's value and the risks attributable to them. For an asset that does not itself generate significant cash flows, the recoverable amount is determined according to the cash-generating asset to which it belongs. Impairment losses are recognized in the income statement as other costs of economic activity.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)

If any events or changes in circumstances indicate that the balance value of the fixed assets has changed, certified appraisers are engaged, the fixed assets are evaluated. The difference resulting from the revaluation, if it is positive, is included in the relevant asset item of the balance sheet, which indicates the revalued fixed asset object, and in the liability item of the balance sheet "Long-term investment revaluation reserve" in the "Equity" section. On the other hand, the correction of the depreciation of fixed assets is included in the profit or loss statement.

The recognition of the accounting value of an object of fixed assets is terminated if it is disposed of or if no economic benefits are expected from the further use of the asset in the future. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds from disposal and the asset's carrying amount) is recognized in the income statement in the period when the asset is derecognised.

The costs of the creation of fixed assets and unfinished construction objects are accounted for at their initial value. The initial value includes construction costs and other direct costs. For unfinished construction, depreciation is not calculated until the relevant assets are completed and put into operation.

Participation in subsidiaries

Investments in subsidiaries (companies in which the Company owns more than 50% of the share capital or which it controls in some other way) are accounted for using the cost method. After initial recognition, investments in subsidiaries are carried at their original cost less impairment losses. If any events or changes in circumstances indicate that the balance sheet value of investments in subsidiaries may be irrecoverable, the value of the respective investments in subsidiaries is reviewed to determine their impairment.

Other financial assets

Financial assets are classified as investments that the Company initially recognizes at fair value with revaluation recognition in the income statement, investments that are by definition loans and receivables, held-to-maturity investments and available-for-sale investments, as appropriate. On initial recognition, financial assets are recorded at their fair value plus directly attributable transaction costs, if the corresponding investments in profit or loss are not recorded at their fair value.

After initial recognition, the Company determines the classification of its financial assets and, if permissible and appropriate, reviews this classification at the end of each financial year.

The purchase or sale of ordinary financial assets is recognized and derecognized on the day of the transaction, i.e. the day the Company undertakes purchase the relevant asset. A regular purchase or sale of financial assets is a purchase or sale of financial assets that requires the delivery of assets within a period of time determined by regulations or conventions in force in the market.

Savings

Inventories are stated at the lower of acquisition cost or market price. Inventories are valued using the FIFO method.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment schedule that are not quoted in an active market. Profit or loss is recognized in the income statement at the time of derecognition of these assets or their value decrease, as well as in the amortization process.

Accounts payable and other receivables

Debts from buyers and customers are recorded and reflected in the balance sheet according to the original amount of invoices, less provisions for bad debts. Provisions for bad debts are estimated when receipt of the full amount owed is no longer probable. Debts are written off when their recovery is considered impossible.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and short-term deposits, the original maturity of which does not exceed three months.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)

Loans and borrowings

Loans and borrowings are initially reflected in their initial value, which is determined by adding the costs related to issuing the loan or deducting the costs related to receiving the loan to the fair value of the loan or borrowing amount. After initial recognition, loans and borrowings are recorded at their amortized cost using the effective interest method. The amortized value is calculated taking into account the cost of issuing the loan or borrowing, as well as any discounts or premiums associated with the loan or borrowing. Gains or losses resulting from amortization are reflected in the income statement as interest income and expense.

Savings

Provisions are recognized when the Company has a current obligation (legal or practice-related) caused by a past event, and there is a probability that the fulfillment of these obligations will require an outflow of resources containing economic benefits from the Company, and it is possible to estimate the amount of the obligation with sufficient reliability. If the Company anticipates that the expenses necessary for the creation of provisions will be partially or fully reimbursed, for example within the framework of an insurance contract, the reimbursement of these expenses is recognized as a separate asset only when it is practically clear that these expenses will really be reimbursed. Costs associated with any provision are reflected in the income statement less amounts that have been recovered.

The company reviews the reserves on each balance sheet date. If, under the influence of further events, the conditions that were the basis for the previous assessment of provisions change, or new information is obtained, the Company changes the estimate and adjusts the amount of the relevant provisions by increasing or decreasing it. If the conditions for recognition of the relevant provisions are no longer met, they are excluded.

Contingent liabilities and assets

Contingent liabilities are not recognized in this financial statement. They are recognized as liabilities only when the probability that the funds will be issued becomes sufficiently reasonable. Contingent assets are not recognized in this financial statement, but are reflected only when the probability that the economic benefits related to the transaction will reach the Company is sufficiently justified.

Revenue recognition

The company's revenues and financing procedures are basically regulated by Regulations No. 557, Regulations No. 431, Regulations No. 623, Regulations No. 624, Regulations No. 625, Regulations No. 172 and Regulations No. 109.

According to Regulations No. 557, the Company's revenues are made up of regulatory deductions from the proceeds of the privatization of state-owned objects and plots of land and reserve fund funds.

In accordance with Regulations No. 431, Regulations No. 623, Regulations No. 624, Regulations No. 625 and Regulations No. 172, the Company recognizes expenses in revenue in connection with the performance of the tasks of the state administration in accordance with the actual expenditure estimate approved by the Ministry of Economy once a quarter. Regulations No. 431 provide that the relevant expenses are covered from the state budget or reserve fund.

The activities implemented by the Company for the fulfillment of the tasks of the state administration are financed from deductions and reserve fund funds, incl. the privatization process of state property, the process of granting, canceling and circulating privatization certificates, expropriation expenses of state capital shares and organizational security of the process of privatization, expropriation and management of state residential buildings in accordance with the procedure established by the Cabinet of Ministers.

The calculated regulatory deductions are recognized as revenues and credited to the net turnover in the period when the privatization, expropriation or lease agreement of the state-owned object is concluded and the subjects' payments for the concluded agreements are received.

Rental income

Income from the Company's leased property is recognized in the income statement on a straight-line basis over the period of the lease agreement.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)

State properties in the possession of the company

According to the Privatization Law, the Company takes possession of the state real estate to be privatized, but the state retains ownership rights to the state-owned object until the ownership rights are transferred to a third party in accordance with the terms of the purchase agreement.

The company is the holder of state capital shares in capital companies in which the state-owned capital share has been transferred for privatization or expropriation. The company has also been transferred the shares of capital agreed to by the state.

According to Article 74 of the Law "On Privatization of State and Local Government Residential Buildings", state residential buildings are transferred to the Company for privatization by order of the Cabinet of Ministers. The company in accordance with the Cabinet of Ministers' regulations of November 26, 2013 No. 1354 "Procedure for accounting, evaluation, sale, transfer of property belonging to the state, free of charge, destruction and crediting of sale proceeds to the state budget" and the Cabinet of Ministers' order of July 2, 2013 to the provisions No. 364 "Rules on the actions of a sworn bailiff with the property of heirless persons" takes possession of the apartment properties and residential houses recognized as the property of the ownerless and heirless person and ensures their expropriation in accordance with the Expropriation Law.

In accordance with the Expropriation Law, the Company expropriates the real estate in its possession.

State immovable properties taken over by the Company, shares of state capital transferred into custody, as well as debtors' (buyers') debts related to the sale of these assets on installments are not included in the Company's assets.

Reserve Fund

One of the sources of financing of the Company is the reserve fund held by it. The procedure for its use and replenishment is provided for in Regulations No. 557.

In accordance with the laws and regulations, the Company makes contributions to the reserve fund, as well as uses the funds of the reserve fund in accordance with the procedure established by the Cabinet of Ministers to cover the expenses related to the performance of the tasks of the state administration, which cannot be covered from other sources of funding.

The assets of the reserve fund are listed in the balance sheet of the Company in the revenues of future periods as part of short-term creditors. If the funds of the reserve fund are not sufficient, the Company continues to finance the performance of delegated tasks from its own funds, anticipating the recovery of these funds in the following periods. The negative balance of the reserve fund is shown in the balance sheet under the item *Other debtors*.

Liabilities to the state budget and other state institutions

Funds from the privatization, expropriation, lease and land purchase of state property within the framework of the land reform are credited to the state and local government budgets in accordance with the procedure provided for in the regulatory acts, with regulatory deductions being made from the received funds and credits to the reserve fund from the privatization revenues.

The company's obligations to the state budget for monetary revenues from the privatization, expropriation, lease and debt capitalization of state property are reflected in the balance sheet item *Other creditors* in the composition of short-term creditors.

Settlements for real estate tax for state real estate owned by the Company The first part of Section 2 of the Law "On Real Estate Tax" stipulates that real estate tax is paid by Latvian or foreign natural and legal persons and groups of such persons established on the basis of a contract or other agreement or representatives of those who own or have legal possession of real estate.

Local governments send real estate tax notices to the Company for real estate owned by the Company. The company pays real estate tax on the basis of the mentioned notifications. In case the real estate is leased, the Company collects the tax for the leased real estate from the lessee. The liabilities of state property lessees to the Company for real estate tax are reflected in the balance sheet item *Debts from buyers and customers* as part of current assets.

APPENDIX TO THE FINANCIAL STATEMENT

3. Net turnover

	2022 EUR	2021 EUR
Regulatory deductions: ŷ		
privatization of state property ŷ	652 962	246 485
expropriation of state property ŷ control	556 065	1 101 016
of purchase and lease agreements ŷ sale	207 278	235 157
and management of capital shares ŷ other	209 728	103 921
regulatory deductions	192 353	235 234
Statutory deductions total	1 818 386	1 921 813
The part of revenue of future periods recognized in the reporting period:	782 139	714 170
ŷ state delegated task – privatization certificates ¹ ŷ state delegated	327 920	400 520
task – privatization of apartment properties and residential houses ²	454 219	313 650
Total net turnover	2 600 525	2 635 983

1 The regulations of the Cabinet of Ministers, by which the tasks of the state administration in the field of circulation of privatization certificates are delegated to the Company, determine that the expenses of the Company, in coordination with the Ministry of Economy, are covered from the revenues obtained from the performance of the relevant tasks of the state administration. If the received revenues do not cover the expenses, then the losses are coordinated with the Ministry of Economy and covered from the reserve fund.

2 According to Article 59, Part One, Clause 10 of the Law "On the Privatization of State and Local Government Residential Buildings", the Company's duty is to manage the state residential buildings in its possession until they are handed over to the management and management of apartment owners. The fifth part of Article 67 of the Law stipulates that the Company receives a grant from general revenues from the funds credited to the state basic budget in accordance with the annual state budget law and uses it:

- 1) for financing the privatization process of residential houses;
- 2) for the maintenance of residential houses during their privatization process;
- 3) for organizing the maintenance and management of privatized residential houses;
- 4) for performing the functions specified in Article 59 of this Law.

Expenses related to the performance of the function of privatization and management of residential houses (apartment properties) owned by the state and belonging to the state shall be covered by the Company in accordance with the procedure provided for in Regulations No. 431 from the funds of the state budget or reserve fund. In 2022, the amount of funds to be covered from the state budget was 454.22 thousand euros.

4. Other revenues from economic activity

	2022 EUR	2021 EUR
Received compensation for damages	647 039	-
Revenues from the provision of services 1	306 870	122 589
Income from renting out premises	46 888	40 149
Income from land rental	22 303	20 478
Recovered receivables for which provision had been made	21 467	18 996
Income from reduction of savings	63 242	9 304
Income from the administration of privatization certificate accounts and land purchase contracts	12 112	16 997
A decrease in the balance of the revaluation reserve for long-term investments	7 792	7 792
Revenue from fines collected	3 430	284
Other income	92 266	30 611
	1 223 409	267 200

1 In compliance with Cabinet of Ministers order No. 457 of August 25, 2021 "On the permission to terminate participation and sell the limited liability company "AUTEKO & TŪV LATVIJA", the limited liability company "SCANTEST" belonging to the state joint stock company "Road Safety Directorate", "VENTTESTS" limited liability company and "AUTES" limited liability company's capital shares" clause 2, during the reporting period, as part of the sales process, the Possessor concluded transactions for the sale of capital share packages in three vehicle technical control service provision companies.

The total value of concluded transactions - 5.4 million. euros.

APPENDIX TO THE FINANCIAL STATEMENT

5. Other costs of economic activity

	2022	2021
	EUR	EUR
Security and management of objects transferred to privatization Costs	154 100	112 993
of maintenance and repair of buildings and premises	98 865	84 114
Costs of legal proceedings	45 766	61 945
Valuation of properties	44 089	53 232
Maintenance of information technology systems and computer equipment	58 060	54 906
Legal and other consultancy services	36 091	30 432
Preparation of real estate (including land) for privatization	28 090	49 379
Subscription to information systems and databases	26 888	30 966
Security costs	23 202	62 114
Real estate tax – Company building, land	168 332	25 292
Administration of privatization certificate accounts and land purchase agreements	24 855	22 215
Communication costs	15 344	17 819
Provisions for legal proceedings	27 900	32 653
Provisions for doubtful accounts receivable	26 153	71 520
Vehicle maintenance costs	14 444	14 789
Inventory and stationery	8 388	9 201
Writing off the value of inventories	4 285	1 165
Other payments	32 83	415 796
	47 322	1

6. Intangible investments

	Concessions, patents, licenses, trademarks and similar rights
2021 Balance	
value on January 1 Purchase	92 134
	25,800
Depreciation	(38,840)
Balance value on December 31	79,094
On December 31, 2021 Initial	
value Accumulated	1,059,106
amortization and depreciation Balance value on	(980 012)
December 31	79 094
2022 Balance	
value on January 1 Purchase	79,094
	9,735
Depreciation	(47,952)
Balance value on December 31	40,877
On December 31, 2022 Initial	
value Accumulated	1,068,841
amortization and depreciation Balance value on	(1,027,964)
December 31	40,877

APPENDIX TO THE FINANCIAL STATEMENT

7. Fixed assets

	Land plots, buildings and engineering structures	Other fixed assets and inventory	Creation of fixed assets and costs of unfinished construction objects	IN TOTAL
2021				
Balance sheet value on	2,594,073	46,000	-	2 640 073
January		25,276	40,862	66 138
1 Purchase Initial value of excluded fixed	-	(29,869)	-	(29,869)
assets Accumulated depreciation of excluded	-	-	-	29,788
fixed assets Transfer	7,027	29,788,681	(7,708)	-
Depreciation	(34,006)	(26,074)	-	(60,080)
Balance value on December 31	2,567,094	45,802	33 154	2,646,050
On December 31, 2021				
Initial value	4,983,973	541 528	33 154	5,558,655
Accumulated depreciation and impairment	(2,416,879)	(495,726)	-	(2,912,605)
Balance value on December 31	2,567,094	45,802	33 154	2,646,050
2022				
Balance sheet value on	2,567,094	45 802	33 154	2 646 050
January	-	61 260	3 471	64 731
1 Purchase Initial value of excluded fixed	-	(5,063)	-	(5,063)
assets Accumulated depreciation of excluded	-	5,063	-	5,063
fixed assets	1,680	1,791	(3 471)	-
Transfer	(34,103)	(38,627)	-	(72,730)
Depreciation Balance value on December 31	2,534,671	70,226	33 154	2,638,051
On December 31, 2022				
Initial value	4,985,653	599,516	33 154	5,618,323
Accumulated depreciation and impairment	(2,450,982)	(529 290)	-	(2,980,272)
Balance value on December 31	2,534,671	70 226	33 154	2,638,051

APPENDIX TO THE FINANCIAL STATEMENT

8. Participation in the capital of related companiesLong term financial investment:

Name of the company	%	Purchase value	Revaluation of investment	Balance value on 31.12.2022.
		Until the reporting period	2022	
		EUR	EUR	EUR
SIA "FeLM"	100	3,003,000	(3,000,000)	-
SIA "REAP"	100	3,000	-	-
		3,006,000	(3,000,000)	-
				6,000

Short-term financial investments:

Name of the company	%	Purchase value	Revaluation of investment	Balance value on 31.12.2022.
		Until the reporting period	2022	
		EUR	EUR	EUR
LAS "Reverta"	96.89		(293,635,264)	-
		293,635,265,293,635,265	(293,635,264)	-
				1 1

9. Debts of buyers and customers

	31.12.2022	31.12.2021
	EUR	EUR
Trade payables	268 198	383,096
Provisions for doubtful debts	(220 077)	(216,770)
	48 121	166,326

10. Other debtors

	31.12.2022	31.12.2021
	EUR	EUR
Claims against AS "Latvijas Krājbanka" in liquidation	10,419,143	10,419,143
The share of future revenues	-	-
Other debtors	868	844
Provisions for bad debts ¹	(10,419,143)	(10,419,143)
	868	844

¹ Provisions have been created in the amount of 100% of funds that were in November 2011 in the currently liquidated credit institution AS "Latvijas Krājbanka".

11. Costs of future periods

	31.12.2022	31.12.2021
	EUR	EUR
Health insurance payments	10,094	10 467
Payments for information technology services	6,203	4 263
Executive Officer Liability Insurance	-	63
Other payments	3 131	4 342
	19 428	19 135

APPENDIX TO THE FINANCIAL STATEMENT

12. Money

	31.12.2022	31.12.2021
	EUR	EUR
Funds in the accounts of credit institutions	10 673 240	9 793 689
Funds in the State Treasury for land purchase agreements ¹	12 825	210 624
	10 686 065	10 004 313

¹ The funds received in accordance with the concluded land payment redemption agreements will be transferred to the budgets of the state and the respective local governments after the obligations specified in the agreements have been fully fulfilled. In 2022, the amount of funds credited to the state and local government budgets is 269.75 thousand. *euros*.

13. Share capital

The subscribed and paid-up share capital of the company on December 31, 2022 is 446,064,930 *euros*, which consists of 446,064,930 shares with a nominal value of 1 *euro*.

14. Other savings

	31.12.2022	31.12.2021
	EUR	EUR
Other savings at the beginning of the year	676 055	652 706
Reduction of reserves	(61 137)	(9 304)
Increase in reserves	27 900	32 653
Other accruals at the end of the reporting period	642 818	676 055

15. Taxes and mandatory state social insurance contributions

Type of tax:	31.12.2022	31.12.2021
	EUR	EUR
State social insurance contributions	31 676	42 349
Personal income tax	16 237	22 395
Value-added tax	2 619	3 091
Business risk state fee	17	18
In total	50 549	67 853

16. Other creditors

	31.12.2022	31.12.2021
	EUR	EUR
Liabilities for land purchase agreements and state fees from certificate operations	12 615	208 716
Liabilities to the state budget:	721 456	704 155
⁹ on the privatization of state property	602 860	114 124
⁹ on the expropriation of built-up plots of land and housing on	80 388	326 650
⁹ the rental income of state property on the	38 208	24 789
⁹ expropriation of capital shares	-	238 592
Liabilities to other state institutions	397	235
Total liabilities to the state budget and other state institutions	734 468	913 106
Security deposits for participation in auctions	44 198	636 648
Other obligations	121 476	112 668
Other creditors together	900 142	1 662 422

APPENDIX TO THE FINANCIAL STATEMENT

17. Accrued liabilities

	31.12.2022	31.12.2021
	EUR	EUR
Accrued liabilities for vacations ¹	49 953	55 034
Accrued liabilities for other services	28 576	27 684
Accrued liabilities to personnel	179 788	110 288
	258 317	193 006

1 Accumulated liabilities for unused vacations have been calculated taking into account the number of unused vacation days of each employee on December 31, 2022 and the average daily earnings in the last six months.

18. General Notes**a) Average number of employed persons**

	31.12.2022	31.12.2021
Average number of board members	3	3
Average number of other employees	46 49	53 56

b) Remuneration of management officers

	2022	2021
	EUR	EUR
Board members:		
wages, mandatory	173 474	120,000
state social insurance contributions	40 922	26,545
	214 396	111,231

Andris Gydmanis
Chairman of the Board

Kaspars Kocins
Member of the Board

Marina Podvinska
Member of the Board

Jolanta Roze
Head of the Finance Department