



SIA RĪGAS ŪDENS
2021 ANNUAL ACCOUNTS

The financial statement was prepared in accordance with
the International Financial Reporting Standards approved by the European Union

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About the Company

Company name	SIA 'Rīgas ūdens'
Company legal status	Limited company
Registration number, place and date of registration	40103023035 Rīga, 24 September 1991 Reregistration in the Commercial Register 12 January 2004, under uniform registration number 40103023035
Type of activity according to NACE classification	36.00 Water collection, treatment, and supply 37.00 Sewerage
Address	Zigrīda Annas Meierovica bulvāris 1 Rīga, LV-1495 Latvia
Sole shareholder	Rīga City Council (100%). Rātslaukums 1, Rīga, LV-1050, Latvia
Names, surnames, and positions of board members	Māris Kleinbergs — member and acting chairman of the Supervisory Board since 08.09.2020, chairman of the Supervisory Board since 22.01.2021. (Changes registered in the Register of Enterprises of the Republic of Latvia on 20.10.2020 and on 15.02.2021, respectively) Tālis Juhna — member of the Supervisory Board since 19.01.2021 and vice-chairman since 22.01.2021. (Changes registered in the Register of Enterprises of the Republic of Latvia on 15.02.2021) Dace Ljusa — member of the Supervisory Board Term of office of the Supervisory Board members: 5 years
Names, surnames and positions held of board members	Dagnija Kalniņa — chairwoman of the Management Board until 12.01.2022. Krišjānis Krūmiņš — member of the Management Board until 12.01.2022, chairman of the Management Board since 13.01.2022. Normunds Zvaunis — member of the Management Board
Official in charge of accounting	Sandijs Māliņš — head of Finance Department
Reporting period	1 January – 31 December 2021
Name and surname of the auditor and the sworn auditor in charge	KPMG Baltics SIA Company licence No 55 Vesetas iela 7 Rīga, LV-1013 Latvia Sworn auditor in charge: Inga Lipšāne sworn auditor certificate No 112

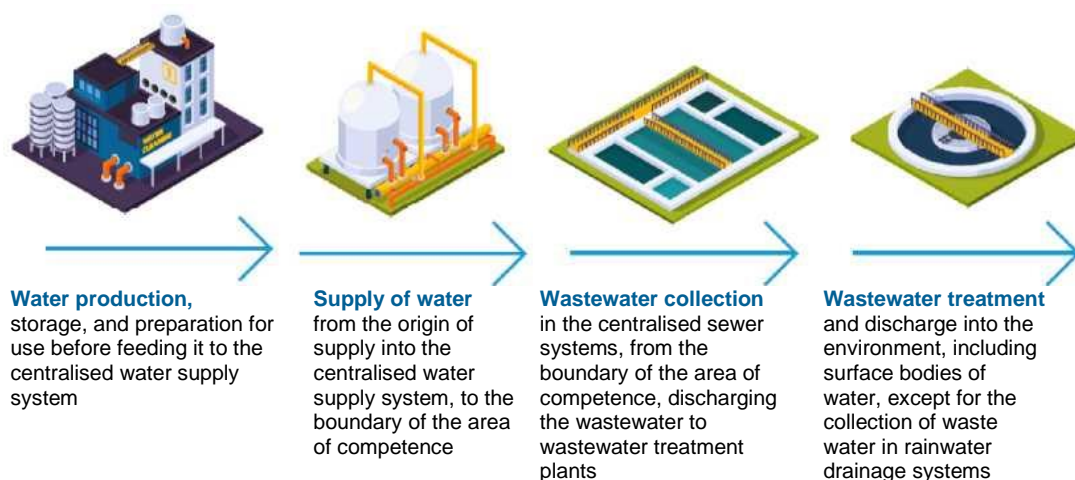
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Type of activity and description of the business environment

SIA 'Rīgas ūdens' ('Company') was established on 24 September 1991. On 16 December 2003, Riga City Council adopted a decision 'On the reorganisation of the Riga Municipal Company "Rīgas ūdens" as Limited Company "Rīgas ūdens"', establishing that the Company was the successor to the rights and obligations of the Municipal Company 'Rīgas ūdens'. The Company was filed in the Commercial Register on 12 January 2004.

'Rīgas ūdens' is a company owned by Riga City Council, which operates in a strategically important sector, performing the municipal function in the field of water supply and sewer services, providing public water management services in the administrative area of the city of Riga and in some municipalities of the metropolitan area of Riga. On 24 July 2019, Riga City Council and the Company concluded an agreement for the provision of the following public water management services in the administrative area of the city of Riga for a period of 10 years (until 23 July 2029):



The Company also provides water management services outside the administrative area of the city of Riga, supplying drinking water and wastewater treatment services to certain municipalities in the vicinity of the city of Riga.

The Company is registered in the Register of Public Water Service Providers of the Public Utilities Commission.

The Company also provides centralised water supply services in some parts of the Riga metropolitan area: Ādaži Municipality, Ropaži Municipality, Garkalne and Stopiņi Municipalities, as well as Mārupe Parish of Mārupe Municipality and Ķekava Parish of Ķekava Municipality.

In providing its public water services, the Company ensures:

- compliance of the services with certain quality and environmental requirements, technical regulations, standards, and the terms of contracts with service users;
- the quality of the drinking water and wastewater treatment in accordance with the laws and regulations of the Republic of Latvia and the EU;
- the maintenance of the quality and quantity of water in the water bodies within its authority;
- the handling of environmental protection and water use efficiency affairs within its authority;

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- ◆ water monitoring in the situations and following the procedures established in permits and laws and regulations;
- ◆ drafting and implementation of water management development projects within the Company's competence, implementing relevant EU directives.

Rīga City Council, when deciding to maintain its ownership of the *Company*, defined the considerations for why the *Company's* commercial activities met multiple criteria set in Section 88(1) of the State Administration Structure Law: the *Company's* main business (i.e. public water management (water supply and sewer) services in the administrative area of the city of Rīga) is an autonomous municipal function; this activity is in a strategically important sector that requires public oversight and continuous control, ensuring the protection of public interest, prevention of environmental risks, and enabling long-term planning. Rīga City Council found that the conditions for maintaining its ownership of the *Company* were met: specifically because strategic services of public interest and national security and environmental safety were provided by the *Company*, and because it engages in managing the security and development of national and municipal water management infrastructure (water supply and sewer systems).

Other services provided by '*Rīgas ūdens*' are performed as public services and are closely related to the provision of water supply and sewer services. Therefore, business activities in these areas also complies with the requirements of the law: the business activities of '*Rīgas ūdens*' take place in the situations stipulated in Section 88 (1)(1, 2) of the State Administration Structure Law: correcting a market deficiency and the activities of the public company resulting in the creation of services that are strategically important for the development of the administrative area of the municipality, ensuring the uninterrupted provision of utility services, with proper accounting and cost efficiency of services for the end consumers.

The *Company's* corporate governance model is designed in accordance with good governance practices, applicable law, and corporate governance guidelines. '*Rīgas ūdens*' is governed by Rīga City Council, the meeting of its shareholders whose functions are performed by a representative of the shareholder (the executive director of the city of Rīga), the supervisory board and the management board of the *Company*. The roles, duties, and responsibilities of the governing bodies are set in external and internal regulatory documents, the main ones being the articles of association of the companies and the rules of procedure of the governing bodies.

The operational management of the *Company* is performed by the management board, which takes decisions on all matters pertaining to the operation of '*Rīgas ūdens*', except for matters where decisions must be taken by the shareholder meeting and the supervisory council in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies, the *Company's* Articles of Association, and Rīga City Council 21 August 2020 Internal Regulations No 4 'Procedure for the management of shares and companies owned by Rīga City Council'.

The main tasks of the management board are to handle the day-to-day running of the *Company's* business, the implementation of its strategy, development plans, goals, and policies, and the preparation and compliance with its budget. The day-to-day running of *the Company* in 2021 was handled by three members of the management board. To support the *Company's* activities and operational decision-making, the management board has assigned its members to specific areas of management. The supervisory board is composed of three members who, in addition to the competences specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies, have competence in internal control and risk management, in approving the internal audit plan, in monitoring the whistle-blowing system, and in approving policy documents.

Activities and development of the Company during the reporting year

The highest decision-making body of a public entity determines the objectives that the public entities intends to achieve through its ownership of a company, derived from applicable legislation and policy planning documents.

On 7 July 2021, Rīga City Council adopted Decision No 720 'Evaluation of the ownership of Rīga City Council in SIA "*Rīgas ūdens*"', which set the general objective for '*Rīgas ūdens*': '*To provide high-quality and reliable water management services, to ensure sustainable and safe use of water resources and management of strategically important infrastructure in Rīga, and to promote the public's involvement in the prevention of water pollution*'.

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In 2020, Riga City Council defined a fundamentally new approach to the management of municipal companies, introducing the principles of good corporate governance to improve the efficiency of company operations and achieve long-term growth in their value. The government of Riga not only revised and set a new overall strategic objective *for the Company*, but also adopted Riga City Council Decision 938 'On setting specific non-financial objectives of SIA "Rīgas ūdens" ' of 6 October 2021, which determined specific non-financial Riga City Council objectives for the implementation of its water management policy in the field of centralised sewer and water supply systems.

The non-financial objectives were selected to ensure the overall achievement of the overall strategic objective of the *Company*: to provide high-quality and reliable water services, to ensure sustainable and safe use of Riga's important water resources, and the management of its strategic infrastructure, and to promote the involvement of the general public in preventing water pollution.

Centralised water supply services are available to 97.9% of the population of the Riga City administrative area, while centralised sewer services are available to 97.4% of the population of the Riga City wastewater agglomeration.

The requirements for setting up centralised sewer systems are laid down in the Cabinet Regulation 34 'Regulations for the emission of pollutants into water' of 22 January 2002. According to this Regulation, centralised sewer systems must be set up in populated areas or in certain parts of populated areas where the number of people, the population density, and the economic activity are sufficiently concentrated to make it economically feasible to set up a centralised sewer system for the collection of wastewater and its transportation to a wastewater treatment plant ('agglomeration').

In 2018, *the Company* and the Central Finance and Contracting Agency (CFCA) signed a contract for the implementation of the EU Cohesion Fund project 'Water management system development in Riga, stage 5', with the extension of water supply and sewer pipelines in the north-west part of Imanta and Beberbeķi, and in the southern part of Berģi. In 2021, *the Company* and CFLA signed a contract for the implementation of the EU Cohesion Fund project 'Water management system development in Riga, stage 6', with the extension of water supply and sewer pipelines in Teika, Ziepniekkalns, and Imanta, in the areas of Nīcas and Vārves Streets and Imanta Lines.

Water management services are not available or are partially available in some parts of the following neighbourhoods of Riga: Ķīpsala, Atgāzene, Ķengarags, Šķirotava, Dreiliņi, Teika, Čiekurkalns, Vecmīlgrāvis (sewer services are not available in some streets), Pētersala/Andrejsala (sewer services not available for some sites), Jaunciems (water supply and sewer services available only for apartment buildings), as well as in some neighbourhoods within the municipality that have a population of less than 1000: Suži, Voleri, Buļļi, Mūkupurvs, Kleisti, Spilve, Salas.

In accordance with the agreement for the provision of public water management services between Riga City Council and the *Company*, the *Company's* task is to ensure water supply and sewage collection in the administrative area of the city of Riga using the water supply and sewer pipelines owned by the Company.

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The water needed to supply the city of Riga is obtained from six city waterworks, which can be divided into two groups:

- waterworks using surface water as the source of water: Daugava water facility;
- waterworks using underground water sources: Baltezers, Baltezers-1, Baltezers-2, Zaķumuiža, Remberģi.

The wastewater collected in the Riga sewer system is treated at the Daugavgrīva biological treatment plant.

During the reporting year, the Company ensured the provision of water management services achieving the quality specified in its public service contracts and took a number of measures to improve its infrastructure, technological development, customer service, and improvements and higher efficiency in the provision of its services.

On 21 August 2020, Riga City Council approved Internal Regulations 4 'Procedure for the management of shares and companies owned by Riga City Council' ('Regulations 4') with the aim to introduce uniform corporate governance principles for the management of shares in companies, in which Riga City Council owns shares, including the Company.

In accordance with the principles and deadlines set in Regulations 4, the following policies of the Company were approved by the decision of the supervisory board of SIA 'Rīgas ūdens' dated 16 February 2021: Corporate Social Responsibility and Sustainability Policy, Corporate Governance Policy, Code of Ethics, Human Resources Policy, Remuneration and Recruitment Policy, Internal Control Environment and Compliance Policy, Risk Management Policy, Procurement Policy, Conflict of Interest and Corruption Risk Prevention Policy, and Whistleblowing Policy.

Service amounts and financial performance

During the reporting year, 36,993 thousand m³ of water was fed into the centralised water supply system.

The amount of water supply services sold in the 12 months of 2021 compared to the 12 months of 2020 decreased by 1.57 % and amounted to 31,884 thousand m³. Residential clients accounted for 79.73% of the total water supplied. In the 12 months of 2021, consumption by this client group decreased by 0.53% compared to the 12 months of 2020, while consumption by non-residential clients fell by 5.43%.

The sales of sewer services in the 12 months of 2021 compared to the 12 months of 2020 decreased by 1.93% and amounted to 36,903 thousand m³.

Of the total sales of sewer services, 66.51% were to residential clients. In the 12 months of 2021, compared to the 12 months of 2020, consumption by this client group fell 0.42% and consumption by non-residential clients fell 5.82%. The amount of wastewater treated by the Daugavgrīva biological wastewater treatment plant during the reporting year was 49,250 thousand m³ (including wastewater from Jurmala).

During the reporting year, net turnover increased by 0.32% year-on-year and amounted to EUR 55,832 thousand. As in 2020, the level of income continued to be affected by the spread of the COVID-19 virus and the national state of emergency.

In 2021, the fees introduced by the council of the Public Utilities Commission in its Decision 48 'On fees for the water supply services of the limited company "Rīgas ūdens" on 26 April 2018 and approved on 1 June 2018, were still in effect, setting the fee for water supply services at EUR 0.85 per cubic metre and the fee for sewer services, at EUR 0.74 (these fees are shown without VAT).

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The Company's profit in 2021 decreased by 32.1% compared to 2020 and amounted to EUR 5516 thousand. The net profit margin also decreased compared to 2020 and amounted to 9.9%, but was still at an optimum level. Although the Company's profit and profitability decreased due to the increase in production costs, the Company was able to ensure that the water management services fees were not increased, and those had not been increased since 2018.

Water infrastructure and technology development

The Company manages main water and sewer pipelines, distribution lines, and pumping stations. As of 31 December 2021, the total length of the pipelines supplying water to consumers was 1486 km, the total length of the sewer lines was 1205 km, and the number of sewer pumping stations was 85.

In 2021, the Company took a number of measures to ensure the achievement of the objectives set in the strategy by improving the technical condition of the water management infrastructure and the quality of the water management services provided, renewing and modernising the water management infrastructure and pursuing technological improvements.

Key projects in 2021:

Cohesion Fund project 'Water management system development in Riga, stage 5'

On 1 August 2018, an agreement was signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/18/I/002 'Water management system in Riga, stage 5'. The total project cost is EUR 26,006,448.27, including co-financing from the Cohesion Fund, in the amount of EUR 9,932,725.00. The project includes the construction of 34.60 km of new sewer pipelines and the reconstruction of 0.44 km of lines in Berģi, Imanta and Beberbeķi, as well as the construction of 18 new sewer pumping stations. In addition, 24.74 km of new centralised outdoor water supply lines are to be built, and 0.42 km, reconstructed. The project will connect 2959 city residents to the centralised sewer system. Project activities will continue for a total of 66 months, until 31 December 2023.

In 2021, the implementation of the construction contracts for the extension of water supply and sewer pipelines in Imanta, Beberbeķi and Berģi (within the administrative area of the city of Riga), as well as the service contracts for the construction supervision and designer supervision of this work, continued. In 2021, the Cohesion Fund co-financing of EUR 5,644,685.03 was credited to the project account in the national Treasury.

Cohesion Fund project 'Water management system development in Riga, stage 6'

On 1 August 2021, an agreement was signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/20/I/001 'Water management system in Riga, stage 6'. The total project cost is EUR 5,996,429.67, including co-financing from the Cohesion Fund, in the amount of EUR 1,620,000.00. The project includes the construction of 7.70 km of new sewer lines and five sewer pumping stations in Ziepniekkalns, Imanta, and Teika, as well as the construction of 2.70 km of new outdoor centralised water supply lines and the reconstruction of 2.00 km of existing ones. The project will connect 900 city residents to the centralised sewer system. Project activities will run continue until 31 December 2023.

In 2021, a construction contract for the extension of the water and sewer pipelines in Teika, as well as service contracts for the construction supervision and designer supervision of this work, was signed.

Reconstruction of the sewer pumping station at Daugavgrīvas iela 101

The reconstruction of Riga's largest sewer pumping station at Daugavgrīvas iela 101 began in 2021, with the construction of a new station, replacing the 6 kV pumps with 0.4 kV pumps, improving operational safety and reducing operating costs, with a significant reduction in water consumption by the facility itself. The project is expected to be completed in 2024.

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Key water production and supply projects in 2021:

(i) improvements in the water supply security and service quality by renovating 1703 metres of water lines, including in Gertrūdes Street, Muižas Street, Tvaika Street, Annīņmuižas Boulevard, Vagonu Street, and others; (ii) 359 water pipeline gate valves with a diameter of DN ≥ 100 mm were replaced, improving water supply security, the quality of service, and ensuring the lowest possible number of disconnected consumers in case of water supply system failures; (iii) 332 fire hydrants were replaced, improving fire safety; (iv) 157 km of water pipelines were flushed, improving water supply service quality; (v) phase 2 of the upgrade of the automatic control system for the water supply pumping stations was launched.

Key wastewater collection and treatment projects in 2021:

(i) improvements in the technical condition of sewer pipelines, reducing the risk of failures and environmental damage. Improvements in the safety of wastewater discharge and the quality of service through a renovation of 2913 metres of sewer pipelines, including in Kr. Barona, Ģertrūdes, Matīsa, A. Deglava, Stūrīša, Salnas, Ogres, Maskavas, Dzirciema Streets; (ii) installation of a wastewater flow meter and integration of the SCADA system of the sewer pumping station at Kojusalas iela 1 into the single automatic control system (ACS) of the sewer pumping stations. This improved the reliability of wastewater discharge and the quality of the service; (iii) the Daugavgrīva wastewater treatment process was improved and optimised through the completion of the reconstruction of one secondary settling tank and beginning of the reconstruction of two primary settling tanks; (iv) introduction of a wastewater pollution monitoring system by installing wastewater quality analysers at three sewer pumping stations and setting up an early warning system.

The key non-financial indicators of *the Company* and the water management sector are shown in the 2021 Sustainability Report of SIA 'Rīgas ūdens'.

Future development

The Company has a medium-term operational strategy for 2022–2024 ('Strategy'), which is a planning document setting 'Rīgas ūdens' medium-term operational priorities and a set of measures to achieve the Company's strategic goals. The Strategy is based on the Law on Governance of Capital Shares of a Public Person and Capital Companies, Riga City Council Decision 720 'Evaluation of Riga City Council's ownership of SIA "Rīgas ūdens"' of 7 November 2021, Riga City Council Decision 938 'On the setting of specific non-financial objectives for SIA "Rīgas ūdens"' of 6 October 2021, as well as the financial objectives set by the representative of the shareholder of 'Rīgas ūdens'.

The Strategy provides a rationale for the actions planned to enable the specific non-financial objectives set by Riga City Council and defines the performance indicators that describe the achievement of the objectives. The development of the Strategy took into account the laws and regulations governing the industry, the planning documents of the Republic of Latvia and the city of Riga, the requirements set in the contract of 24 July 2019 with the Riga City Council for the provision of public water management services, as well as the strategic areas of the Company's activities pursued in the previous planning period, thus enabling functional and structured continuity in the development of 'Rīgas ūdens'.

The implementation of the areas of activity and tasks included in the Strategy will enable the provision of strategic services in the public interest and in accordance with environmental safety, as well as the management of national and municipal water management infrastructure facilities in Riga, ensuring their security and development.

Given that the Strategy sets the renovation of outdated water management infrastructure as a key priority, and given that this requires substantial investments, the goals of providing water supply to the public and protecting the environment can be more effectively achieved not by significantly expanding access to centralised water supply and sewer services, but by promoting the construction of connections and increasing the number of connections to centralised water supply and sewer pipelines in those areas where access to water services already exists, but no connections have been built.

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These are the areas of the city where water supply and sewer pipeline extension projects co-financed by the European Union Cohesion Fund have been completed since 2004, as well as the areas of Riga where ongoing projects will be completed during the planning period of the Strategy.

The need to uphold higher standards for the quality of drinking water and the environmental compatibility of treated wastewater discharged will be balanced against the cost of water services through a socially responsibility policy. It is planned to raise European Union funding for some of the infrastructure renewal projects planned for 'Rīgas ūdens' after 2024; however, the preparation of these projects will already take place during the implementation phase of the Strategy. The implementation of the tasks set in the Strategy will enable the efficient management of the Company through technologically and economically sound changes in its fees over the next few years, which is necessary for the efficient provision of its water management services.

In the area of water supply, Riga residents will be provided with high-quality drinking water as a priority, and measures will be taken to improve the quality of drinking water by intensifying the renovation of water supply pipelines and by flushing existing water supply systems. A sustainable model for the future development of the Riga waterworks and water supply system will be developed, and work will begin on its implementation.

To improve the sustainability of wastewater management, it is planned to increase wastewater treatment capacity and the climate resilience of the centralised sewer system by intensifying the renovation of sewer pipelines, as well as the rebuilding of the main sewer pumping station and other smaller stations on the left bank of the Daugava, combined with other measures to improve energy efficiency. 'Rīgas ūdens' plans to upgrade its sewer sludge treatment system.

Research and development, implementation of information technologies and digitisation are identified as an important area of activity for the planning period of the Strategy, seeking opportunities to implement modernisation solutions in the Company's technological and customer service processes. Digital telemetry services for the metering of drinking water will be developed for the clients and the range of client portal services will be expanded. 'Rīgas ūdens' clients and the public will be provided with information about water management, promoting green thinking and the benefits of tap water use, in order to raise public awareness about 'Rīgas ūdens' and about everyone's contribution to protecting water resources and the environment in general.

With the approval of the strategy for the new planning period, the 2019–2022 medium-term strategy of SIA 'Rīgas ūdens' (version 4, approved at the shareholder meeting of the Company of 24 October 2019) became invalid.

In order to improve the strategic planning process and to evaluate the achievement of the objectives in accordance with the requirements for the governance of companies defined by Riga City Council, the Company will develop an action plan for each calendar year of the period of the Strategy, regularly monitoring the progress of the objectives set in the Strategy and, taking into account the effect of internal and external factors, updating the Strategy in certain cases.

Measures taken by SIA 'Rīgas ūdens' in 2021 to prevent the risk of corruption

SIA Rīgas ūdens has engaged in the mitigation and prevention of corruption risks by implementing the Company's 2020–2021 Anti-Corruption Action Plan ('Plan'), which was updated in 2020.

The Company consistently introduced the measures included in the Plan and reported on the results of these activities.

46 new employees of the Company, whose position exposed them to corruption risks, received training on the prevention of corruption risks and conflicts of interest. Scheduled training on the prevention of corruption risks and conflicts of interest was also provided to 675 employees of the Company.

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The Company continued to publish information about the available job openings on the Company's website, and to improve its recruitment process. The Company's website contains 109 current job openings, with requirements for applicants.

The Company updated its Anti-Corruption Management procedure, and drafted and approved its Policy on the Prevention of Conflicts of Interest and Corruption Risks, the Risk Management, Internal Control Environment, and Compliance Policy, and the Whistleblowing Policy. The Company's Code of Ethics was updated and approved.

Financial risks and financial risk management

The Company operations are subject to various financial risks, including the credit risk, the market risk, the liquidity risk, and the interest rate risk. The management board of the company minimises the negative impact of potential financial risks on the financial standing of the company. For more information about financial risks and their management, see Annexes 11 and 38 to the financial statement. No derivative financial instruments are used.

Corporate governance

The 2021 Corporate Governance Report for SIA 'Rīgas ūdens' ('Report') was prepared on the basis of Section 58.1 of the Law on Governance of Capital Shares of a Public Person and Capital Companies. The report is available on the 'Rīgas ūdens' website, at www.rigasudens.lv.

Prior to that, 'Rīgas ūdens' had also taken significant steps to introduce and implement corporate governance principles in all areas of its operations and at all levels of its organisational structure. This was done in accordance with the principles set in the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the Corporate Governance Principles and Recommendations for their Implementation issued by Nasdaq Rīga in 2010.

In 2021, 'Rīgas ūdens' developed and implemented a number of key corporate policies that fully comply with the Recommendations for Good Corporate Governance in Latvia (2020) ('Recommendations') issued by the Consultative Council of the Ministry of Justice.

For each corporate governance principle set in the Recommendations, there are criteria to help assess whether the principle is followed. The principles are being implemented in 'Rīgas ūdens' operations, and in 2021, the Company fully or partially complied with all of them, whereby a company is deemed to have complied with a principle if it meets all the criteria set for the principle. 'Rīgas ūdens' prepared its first Corporate Governance Report in accordance with the Recommendations. In accordance with the 'comply or explain' principle, the Report also provides information about those principles that the Company partially complies with in its operations or those whose the criteria are not directly applicable to the Company, explaining the circumstances or the regulations that support this.

Viewed as a group of measures, the corporate governance of 'Rīgas ūdens' contributes to the achievement of the Company's performance targets and to the monitoring of its performance, and is considered a very important tool of good governance, which 'Rīgas ūdens' will continue to work on in the future.

Non-financial report

For the reporting period, 'Rīgas ūdens' prepared a second non-financial report, the Sustainability Report 2021, which provides detailed information about the impact of the Company's operations on environmental, social, and employee-related issues, and on human rights and anti-corruption aspects. For the preparation of the non-financial report, 'Rīgas ūdens' used the internationally recognised Global Reporting Initiative (GRI) standard and took into account the company's compliance with the UN Sustainable Development Goals, to which 'Rīgas ūdens' is committed.

The non-financial report also discusses the implementation of the Company's policies in relation to areas of corporate social responsibility, the procedures that the Company developed to ensure the implementation of the policies and information about the risks associated with the services provided.

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In preparing the report, 'Rīgas ūdens' followed the reporting standards and criteria set in the GRI standard:

- Involvement of stakeholders — communication with stakeholders is also an important part of the preparation of the non-financial report. The identification of the stakeholders of 'Rīgas ūdens' was carried out in 2021, when the first, 2020 Sustainability Report was being prepared;
- Sustainability context — the report must reflect the Company's performance in the broader context of sustainability. In order to identify the areas and activities that are important for the Company in the present and in the future, an analysis was carried out of 'Rīgas ūdens' internal regulations: Corporate Social Responsibility and Sustainability Policy, 2019–2022 Medium-Term Operational Strategy, and client and employee satisfaction survey results. The assessment resulted in an expanded list of areas for sustainability that had potential, as well as existing and planned activities that suited the sustainability context;
- Significance: the report must represent the Company's activities that have a significant impact on the economy, environment, and society, highlighting the aspects that have a major effect on external stakeholders. 15 key sustainability areas were identified for the 'Rīgas ūdens' sustainability report, covering aspects of the Company's economic responsibility, as well as its environmental and social impact (including that on its employees and their working environment, on the public, and responsibility for the service). At the same time, it was also found that external stakeholders additionally pointed out areas that were not directly covered by any of the UN goals, but which would be useful to include in the sustainability report;
- Comprehensiveness: the report must represent the key areas and their measurement units, as well as impact factors, so that stakeholders can track and inspect the Company's progress. 'Rīgas ūdens' provided comprehensive information and comparable data on each of the sustainability fields in its non-financial report.

The 2021 Sustainability Report for SIA 'Rīgas ūdens' was prepared on the basis of Section 58.1 of the Law on Governance of Capital Shares of a Public Person and Capital Companies. The report is available on the 'Rīgas ūdens' website, at www.rigasudens.lv.

Impact of environmental requirements, information about employees and R&D activities

Details about the impact of environmental requirements, and information about employees and R&D activities is provided in the 2021 Sustainability Report of SIA 'Rīgas ūdens'.

Information about the Company share capital

The share capital of the Company as of 31 December 2021 was EUR 127,586,633 divided into 127,586,633 shares with a par value of EUR 1 each.

Circumstances and events after the end of the reporting year

Events after the end of the financial year are shown in Annex 45 to the financial statement.

See Annex 28 to the financial statement for the long-term loan agreement of EUR 15 million entered into after the end of the year.

At the meeting of the management board of the *Company* held on 13 April 2022, the draft report to the supervisory board of SIA 'Rīgas ūdens' regarding the prior approval of the supervisory board to conclude an agreement with the European Investment Bank for a long-term loan of EUR 60,000,000 was considered and submitted to the supervisory board of the *Company*. The contract with the European Investment Bank is expected to be signed in the first half of 2022.

The Company engages in no significant transactions with companies in Russia, Belarus, or Ukraine that could have a significant adverse effect on the Company's operations. The Company's financial results could be affected by a general deterioration in the economic situation.

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On 29 December 2021, the *Company* submitted a draft document setting the fee for the water services to the Public Utilities Commission. The draft document for the fees has been assessed by the Public Utilities Commission, and it is expected that the new fees for the water management services could take effect 1 June 2022, with the following rates:

Water management service fees since 1 June 2022:

Water supply services fee	EUR 1.02 per m ³
Water production services fee	EUR 0.33 per m ³
Sewer services fee	EUR 0.91 per m ³
Wastewater treatment services fee	EUR 0.42 per m ³

During the period since the last day of the reporting year, no events that would considerably influence the financial status of the company occurred as of 31 December 2021, or that would require additional explanations in annexes to the financial statement.

Allocation of profit recommended by the management board

During the reporting year, the Company made a profit of EUR 5,515,750.

Section 2 of Riga City Council Decision 691 'On dividends in companies in which Riga City Council has a decisive influence' of 16 June 2021 stipulates that the minimum foreseeable profit share that may be paid out in dividends is 40% of the company's profit for the reporting year, unless otherwise stated in the strategy. The share of profits paid as dividends includes a fee for the use of the municipality's capital and the enterprise income tax. Section 7 of the Riga City Council Decision states that if, when preparing a draft strategy, the company includes in it a proposal for a share of profit to be paid out in dividends that is lower than that specified in Section 2 of the Decision, the matter is examined by Riga City Council, which adopts a separate Riga City Council Decision on setting a different profit share to be paid out as dividends.

The draft strategy of the Company includes a proposal not to pay dividends from the Company's 2021 profits, and to allocate these funds to the implementation of the projects set in the strategy; however, at the time of the approval of the financial statement, no Riga City Council decision on a different share of the profit to be paid in dividends had been adopted. The payment of dividends is decided by the shareholder meeting of the *Company*.

Krišjānis Krūmiņš

Board chairman

Normunds Zvaunis

Board member

Riga, 28 April 2022

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Separate comprehensive income statement for 2021

	Annex	2021 EUR	2020 EUR
Income	12	55,832,487	55,656,154
Expenses to achieve income	13	(48,930,877)	(46,159,824)
Gross profit		6,901,610	9,496,330
Sales costs	14	(1,984,165)	(1,993,262)
Administrative costs	15	(4,011,659)	(3,917,696)
Other operating income	16	5,088,946	5,251,979
Other operating expenses	17	(175,206)	(394,599)
Operating results		5,819,526	8,442,752
Financial income	18	2459	12,764
Financial costs	19	(306,235)	(327,568)
Profit for the reporting year		5,515,750	8,127,948
Other comprehensive income		-	-
Total comprehensive income		5,515,750	8,127,948

The annexes on pages 19 to 62 are an integral part of this financial statement.

Krišjānis Krūmiņš
Board chairman

Normunds Zvaunis
Board member

Sandijs Māliņš
Head of Finance Department

Rīga, 28 April 2022

**SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS
 SEPARATE FINANCIAL STATEMENTS**

Separate statement on the financial standing at 31 December 2021

<u>Asset</u>	Annex	31.12.2021	31.12.2020	31.12.2019
		EUR	EUR	EUR
Long-term investments				
Intangible investments	20 (a)	986,317	969,359	677,678
Fixed assets	20 (b)	286,082,769	272,993,616	274,606,483
Use right assets	20(d)	643,240	837,695	1,019,211
Investment property	20 (e)	865,372	865,372	865,372
Ownership in a subsidiary	21	-	-	-
Other loans and long-term receivables	24	37,622	50,759	154,108
Total long-term investments:		288,615,320	275,716,801	277,322,852
Current assets				
Stock	22	1,820,908	1,746,062	2,224,797
Receivables from contracts with clients	23	6,785,443	6,231,575	6,538,001
Other receivables	24	295,610	399,433	816,152
Deferred expenses		379,578	250,119	281,643
Cash	25	15,783,502	18,318,728	15,300,798
Total current assets before short-term assets held for sale :		25,065,041	26,945,917	25,161,391
Short-term assets held for sale	26	145,200	260,093	4600
Total current assets		25,210,241	27,206,010	25,165,991
<u>Total assets</u>		313,825,561	302,922,811	302,488,843

The annexes on pages 19 to 62 are an integral part of this financial statement.

**SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS
 SEPARATE FINANCIAL STATEMENTS**

Separate statement on the financial standing at 31 December 2021

	Annex	31.12.2021 EUR	31.12.2020 EUR	31.12.2019 EUR
Liabilities				
Equity:				
Share capital (fixed capital)	27	127,586,633	127,586,633	127,578,573
Profit retained in previous years		38,926,300	30,798,352	22,204,760
Profit for the reporting year		5,515,750	8,127,948	8,593,592
Total equity:		172,028,683	166,512,933	158,376,925
Payables:				
Long-term payables:				
Loans from credit institutions	28	16,222,222	29,527,778	34,472,223
Lease liabilities	31	469,757	656,051	834,304
Advance payments received	33	8,624,503	2,979,818	-
Trade payables		1,651,186		
			249,884	496,185
Deferred income	32	80,495,328	83,408,190	84,239,858
Total long-term payables:		107,462,996	116,821,721	120,042,570
Short-term payables:				
Loans from credit institutions	28	13,097,142	4,960,821	4,962,700
Lease liabilities	31	210,615	222,941	234,335
Advance payments from customers	33	1,945,434	897,555	3,291,442
Trade payables		2,670,074		
			2,152,587	2,211,803
Taxes and state social security contributions				
insurance contributions	37	1,446,660	1,487,771	1,780,958
Other payables	34	674,682	665,152	633,868
Deferred income	32	3,455,838	3,433,720	3,381,065
Dividends unpaid		-	-	300,000
Accrued liabilities	35	8,474,322	4,482,996	580,6275
Accruals	36	2,359,115	1,284,614	1,466,902
Total short-term payables:		34,333,882	19,588,157	24,069,348
Total creditors:		141,796,878	136,409,878	144,111,918
Total liabilities		313,825,561	302,922,811	302,488,843

The annexes on pages 19 to 62 are an integral part of this financial statement.

Krišjānis Krūmiņš
 Board chairman

Normunds Zvaunis
 Board member

Sandijs Māliņš
 Head of Finance Department

Rīga, 28 April 2022

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**SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS
 SEPARATE FINANCIAL STATEMENTS**

Separate statement on changes in equity for 2021

	Fixed capital	Retained profit	Equity
31.12.2019	127,578,573	30,651,310	158,229,883
As stated above			
<i>Effect of adjustments made on transition to IFRS (see Annex 8)</i>	-	- 147,042	147,042
	-	119,078	119,078
	-	27,964	27,964
1 January 2020, as per IFRS	127,578,573	30,798,352	158,376,925
Increase in share capital	8060	-	8060
<i>Transactions with owners in their capacity as owners</i>	8060	-	8060
<i>Profit for the reporting year</i>	-	8127948	8127948
Total comprehensive income	-	8,127,948	8,127,948
31.12.2020	127,586,633	38,926,300	166,512,933
Profit for the reporting year	-	5,515,750	5,515,750
Total comprehensive income	-	5,515,750	5,515,750
31.12.2021	127,586,633	44,442,050	172,028,683

The annexes on pages 19 to 62 are an integral part of this financial statement.

 Krišjānis Krūmiņš
 Board chairman

 Normunds Zvaunis
 Board member

 Sandijs Māliņš
 Head of Finance Department

Rīga, 28 April 2022

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Separate cash flow statement

	Annex	2021 EUR	2020 EUR
Cash flow from main business			
1. Profit before enterprise income tax		5,515,750	8,127,948
Adjustments:			
a) Fixed asset depreciation	20 (b)	14,773,910	14,694,171
b) Fixed assets exclusion result		4992	(91,501)
c) Depreciation of intangible investments	20 (a)	238,598	146,049
d) Depreciation of right-of-use assets		215,337	220,382
e) Result on the exclusion of short-term investments available for sale		(534,352)	-
f) changes in accruals		1,074,501	(182,288)
g) other interest income and similar income	18	(2459)	(12,764)
h) interest payments and similar costs	19	269,101	306,821
2. Profit before adjustments for the effects of changes in the balances of short-term assets and liabilities		21,555,378	23,208,818
Adjustments:			
a) increase or reduction of the balance values of receivables		(566,367)	677,414
b) increase or reduction of the balance values of accruals		(74,846)	478,735
c) increase or reduction of the balance values of trade and other payables		4,035,669	(5,079,663)
3. Gross cash flow from main business		24,949,834	19,285,304
Interest payment costs	29	(271,669)	(308,700)
Enterprise income tax payments expenses		-	-
Net cash flow from main business		24,678,165	18,976,604
II. Cash flow from investment activities			
Purchase of shares in a subsidiary		-	(8000)
Acquisition of fixed assets and intangible assets		(28,285,018)	(13,763,335)
Income from the sale of fixed assets and intangible investments		26,663	121,947
Income from the sale of long-term investments held for sale	16	787,231	-
Capitalised interest payments		(3242)	(9515)
Received interest		2459	12,764
Income from the repayment of loans		-	180,604
Net cash flow from investment activities		(27,471,907)	(13,465,535)
III. Cash flow from financing activity			
Cohesion Fund co-financing received	33	5,644,685	2,979,818
Repayment of loans expenses	29	(5,166,667)	(4,944,444)
Lease payments	29; 30	(219,502)	(228,513)
Dividends paid		-	(300,000)
Net cash flow from financing activity		258,516	(2,493,139)
V. Net cash flow for the reporting year		(2,535,226)	3,017,930
VI. Cash and its equivalent balance at the beginning of the reporting year		18,318,728	15,300,798
VII. Cash and its equivalent balance at the end of the reporting year	25	15,783,502	18,318,728

The annexes on pages 17 to 59 are an integral part of this financial statement.

Krišjānis Krūmiņš
Board chairman

Normunds Zvaunis
Board member

Sandijs Māliņš
Head of Finance Department

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SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

1. REPORTING COMPANY

The Company is a company owned by Riga City Council, which operates in a strategically important sector, performing municipal functions in the field of water supply and sewer services (according to NACE Ver. 2 code 36 'Water collection, treatment and supply', and code 37 'Sewerage').

The capital of the Company is owned by Riga City Council. In matters not regulated by the articles of association, the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Commercial Law apply.

Legal information about the Company is included in a separate section on page 3 of this annual report.

2. FINANCIAL REPORTING GUIDELINES AND REPORTING PERIOD

This financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, under the assumption of going concern.

This is the first time the Company has prepared a financial statement in line with IFRS. For all prior periods, including the year that ended on 31 December 2020, the Company prepared its financial statements in accordance with the laws and regulations of the Republic of Latvia.

See note 8 IFRS FIRST ADOPTION in the annexes to the financial statement below to see how the Company made the transition to IFRS.

The profit or loss account was prepared in accordance with the cost function method. Cash flow report has been prepared using the indirect method.

The reporting period is 12 months long, from 1 January 2021 to 31 December 2021.

3. FUNCTIONAL AND ACCOUNTING CURRENCY

The Company's functional and accounting currency is the euro.

4. ESTIMATIONS AND JUDGEMENTS

In order to prepare the financial statement, the management makes judgements, estimations and assumptions that affect the use of the accounting policy and the indicated amounts of assets and liabilities, income and expenses. Actual results may differ from these estimations.

Estimations and the assumptions associated with them are revised on a regular basis. Changes in accounting estimations are recognised for the period, in which the estimations in question are revised, and for the following periods.

The most important reasons for uncertainty in estimates pertain to the determination of the useful life of fixed assets and their depreciation, the determination of the amount of accruals, and the determination of the fair value of investment properties, in order to be able to disclose this information in the annexes. Information about the assumptions and estimates made in using the accounting policies that had the most significant effect on the amounts included in the financial statement is included in the notes:

- 7. Notes Section 7.3: Intangible investments and fixed assets — estimates for fixed assets, Section 7.14 (ii) Depreciation of non-financial assets and Note (20(b));
- 7. Notes Section 7.10: Accrued liabilities and accruals: key assumptions and Note 36

5. FAILURE TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS

This is the Company's separate financial statement. The Company does not prepare consolidated annual accounts using the exemption in Section 66 of the Law on Annual Statements and Consolidated Annual Statements because it had only one subsidiary, whose information was not significant, and which was being wound up as of 20 April 2021.

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

6. ASSESSMENT BASIS AND KEY ACCOUNTING PRINCIPLES

The financial statements are prepared on the basis of the initial cost of assets and liabilities. The items in the annual financial statement are assessed according to the following accounting principles:

- (i) Going concern is assumed.
- (ii) The same assessment methods were applied as in the previous reporting year.
- (iii) The assessment was carried out with due care:
 - only the profit gained until the balance date is included in the statement;
 - all expected risk amounts and losses occurring during the reporting year or in the previous years have been taken into account, even if they became known during the time between the balance sheet date and the date when the financial statement was prepared;
 - all the asset depreciation and wear amounts were calculated and taken into account, regardless of whether the reporting year ended with profits or losses;
- (iv) The annual accounts reflect all income and expenses related to the reporting year irrespective of the payment date and invoice receipt or issue date. The expenses are made to agree with the income for the reporting period.
- (v) Sub-items of assets and liabilities were evaluated separately.
- (vi) The opening balance sheet of the reporting year matches the closing balance sheet of the previous year, except in relation to the first-time adoption of IFRS, as indicated in Section 8 of this Annex.
- (vii) All items significantly affecting the assessments or decision-making of the users of this financial statement are specified, insignificant items are combined and details about them are provided in the Annex.
- (viii) Business transactions are shown in the financial statement, taking into consideration their economic content and essence, and not their legal form.

7. KEY ACCOUNTING POLICIES

7.1 Currency and conversion of foreign currencies into the euro

The Company's accounts are kept in euros. All transactions in foreign currencies are converted into euros using the accounting exchange rates effective at the beginning of the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the euro at the euro reference rate published by the European Central Bank. Profit or loss of foreign currency acquired as a result of payment transactions made in foreign currencies and recalculation of the value of monetary assets and liabilities nominated in foreign currencies are included in the profit or loss statement of the relevant period.

7.2 Financial instruments

The Company does not hold or use derivative financial instruments.

The accounting policy for investments in subsidiaries is described in Section 7.7.

(i) Inclusion and classification

Financial assets and liabilities are included in the financial standing statement on the date when the contractual terms for the instrument in question become binding to the Company. Purchase of financial assets as part of ordinary transactions is recorded on the payment date.

Financial assets are initially included at fair value plus transaction costs. Receivables from contracts with clients are initially measured at the transaction price.

Financial liabilities, including borrowings, are initially included at the amount of money received, minus the costs of borrowing.

The classification and subsequent measurement of financial assets and liabilities depend on the business model used for managing the financial assets and liabilities and the contractual terms determining the cash flows. The Company does not change the classification of financial assets after initial inclusion, except when the Company's business model for managing financial assets changes.

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

The Company's financial assets held for collection as part of cash flows set up in contracts and those that generate cash flows in accordance with contracts, are classified as financial assets to be measured at depreciated cost. These financial assets include trade and other receivables, as well as cash and cash equivalents.

Cash and cash equivalents are cash balances and demand deposits with initial maturities of three months or less, starting from the date of acquisition, that are subject to an insignificant risk of changes in fair value and are used by the Company to settle short-term liabilities.

Financial liabilities, which include borrowings, amounts payable to suppliers, and other financial liabilities arising from the Company's operations, are classified as other liabilities measured at depreciated prime cost.

(ii) Evaluation

After the initial assessment, receivables are valued at depreciated cost using the effective interest rate method minus depreciation losses (see Section 7.14).

Financial liabilities are measured at depreciated cost using the effective interest method after initial inclusion. Interest expenses are included in the profit or loss statement.

The effective interest rate is the rate that discounts exactly the future cash flows from a financial instrument throughout its expected duration, or if possible a shorter period, to the net book value of the financial asset or liability. Premiums and discounts, including initial transaction costs, are included in the book value of the associated financial instrument and depreciated based on the effective interest rate of the financial instrument.

The Company has no financial assets and liabilities that are assessed at fair value with an impact on the profit or loss statement after their initial inclusion. See note 7.14 to the financial statement regarding depreciation.

(iii) Exclusion

A financial asset is excluded once the contractual rights for the cash flows from the financial instrument expire or once the Company transfers all the risks and rewards pertaining to the financial asset. Any rights or obligations created or maintained as a result of the transfer are included separately as assets or liabilities. Financial liabilities are excluded once settled.

The Company also excludes certain assets when it writes off balances relating to the assets considered irrecoverable. Each asset is assessed individually before the balances are written off.

(iv) Offsets

Financial assets and liabilities are offset against each other and the net amount is presented in the statement of financial standing only if there is a legal right to do so and there is an intention to make net settlements or to sell the asset and settle the liability simultaneously.

7.3 Intangible investments and fixed assets

Intangible investments

Intangible investments include licences and computer software booked at the cost of purchase minus accumulated depreciation and accumulated depreciation losses. Depreciation is calculated over the useful lives of these investments using the linear method. The Company has determined the following useful lives and respective depreciation rates for intangible investments:

	Years	% per year
Licences	5	20%
Software	3	33%
Specialised information systems	10	10%

If events or changes in circumstances indicate that the book value of an intangible asset may have been reduced, the value of that asset is revised. Losses resulting from value reduction are recorded, if the book value of the intangible assets exceeds their recoverable value.

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

Fixed assets

The initial cost of fixed assets consists of the purchase price, including import duties, fees and non-deductible acquisition taxes, as well as any directly attributable costs of bringing the asset to its working condition and of delivering it to its location for its intended use. After their acquisition, fixed assets are booked at initial cost minus accumulated depreciation and depreciation losses. Depreciation is calculated starting from the month following the date when the use of the fixed asset for its intended purpose begins.

Land is not subject to the calculation of depreciation. For any other assets, wear is calculated based the linear method, according to the duration of the productive use of the fixed assets, to write the purchase or revised value of the fixed asset off down to its remaining value at the end of the duration of its productive use.

If the useful life of individual components of a fixed asset differ, they are recorded as separate components (critical components) of the fixed asset.

The Company estimates the useful lives and residual values of fixed assets. These estimates are based on past experience as well as industry practice and are assessed at the end of every reporting year. Past experience has shown that the actual useful life of fixed assets is sometimes longer than estimated. The values of fully depreciated fixed assets are shown in Annex 20(b). The estimated impact of changes in useful life cannot be estimated with precision and, therefore, the impact of the sensitivity analysis of changes in depreciation rates on future periods is not shown.

Depreciation is calculated in accordance with the following useful life values determined by the management:

	Average useful life of fixed assets (years)
Buildings	20–40
Building structures	10–25
Water supply system:	
Water pipelines	15–50
Water pipeline equipment	5–15
Waste water system:	
Sewer lines	15–40
Sewer line equipment	5–15
Boreholes	5–20
Reservoirs:	
Water	15–30
Waste water	8–20
Production equipment and devices	2–20
Pumps and electrical gear	3–10
Laboratory equipment	3–5
Lifting gear	4–15
Office equipment	3–5
Furniture	3–8
Vehicles:	
Cars	5
Cargo	8

The initial book value of fixed assets acquired for no consideration, from donations, or as part of an EU Cohesion Fund project is depreciated gradually over their useful lives using the linear method. Simultaneously with the inclusion of such fixed assets, a certain amount of deferred income is included, which is gradually written off (depreciated) over the useful life of the asset and included in other income in the profit or loss statement.

The 'construction in progress' position shows the cost of setting up fixed assets and incomplete construction projects, taking into account their initial value. The initial value includes the cost of construction and other direct costs. No depreciation is calculated for construction in progress.

Interest on borrowings incurred in connection with construction in progress is capitalised in accordance with IAS 23 'Borrowing Costs' proportionally to the cost of creating the fixed assets for the construction in progress at the time the fixed assets are created, see Annex 8 and 20(b) for capitalised interest.

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

For construction and/or reconstruction projects, the costs and liabilities associated with the the creation of fixed assets and construction in progress are included once the completed work is accepted and approved, with appropriate supporting documentation. Once the site is commissioned as intended, the cost of the project is included in the associated fixed assets. If construction in progress is completed during the reporting period, but the payment documents are approved after the end of the reporting year, the total amount of the work is shown as an accrued liability for construction in progress at the end of the reporting year.

If an investment project is carried out in accordance with the rules of FIDIC (International Federation of Consulting Engineers), the costs and liabilities for construction in progress are recorded once the engineer's approval of the milestone payment is received, accompanied by supporting documents for the completion of the work. The cost of that project is included in the relevant fixed assets after all the risks and rewards of ownership of the property or set of properties in question are taken over.

If any events or changes in circumstances indicate that the book value of fixed assets cannot be recovered, the value of such assets is recalculated, in order to represent the reduction in their value. If the balance sheet value of an asset is higher than its recoverable value, the value of that fixed asset is immediately written off, down to its recoverable value. The recoverable value is the highest from the fair value of the relevant intangible investment or fixed asset, less sales costs or value of use.

Further expenses are included in the book value of the asset or only recognised as a separate component of an asset when there is a high probability of future business benefits related to this item being incorporated into the Company, and the expenses for this item can then be credibly determined. Such costs are written off during the remaining period of service life of the relevant fixed asset. The cost of an installed spare part is added to the cost of the asset if it meets the criteria for recording as a fixed asset. When the value of an asset is increased by the cost of a spare part installed, it is simultaneously reduced by the remaining book value of the excluded part. If such data are not available, the depreciated replacement cost of the part or component is used, calculated by deducting from the book value of the new part or component the total estimated depreciation for the period over which the part or component was used.

Current repairs and maintenance of fixed assets are included in the profit or loss statement for the period when they were incurred. The cost of overhauling leased fixed assets is depreciated using a line method over the useful life of the capital improvements or the duration of the lease, whichever is the shortest.

Profit or loss from excluding fixed assets is calculated as the difference between the balance sheet value of the fixed asset and the revenue obtained as a result of selling it and included in the profit or loss statement for the period when they were incurred.

The following basic conditions are applied in the accounting of the Company's pipeline infrastructure assets (e.g. pipelines, gate valves, hydrants):

- (i) when pipe repairs take place, the costs associated with the repairs are included in the income statement at the time these costs are incurred, provided that the work carried out does not increase capacity, and the flow is only restored to 'day-one' levels and the service area is not expanded;
- (ii) when water and sewer pipeline repairs take place, the costs of the repairs are capitalised if the work increases capacity or expands the service area. The length of the repaired lines and its ratio to the assumed rated line length is an important indicator. For sewer pipes, the ratio is determined by the distance between manholes (gravity lines) or switching chambers (pressure lines), while for water pipes, by the street block;
- (iii) Repair costs are included as an asset if the sewer line is renovated for a single manhole section over a longer part of the line, and for water lines, if the renovations affect a section longer than a street block or if the block is greater than or equal to 50 m (50 m is the average length of a block in Riga). This condition also applies to repairs being done to prevent a potential emergency, and to cases where a sewer line is repaired without setting up a trench;
- (iv) branch lines are integrated components of the water line and sewer line system, and the cost of repairing them is recognised as an asset or included in the profit or loss statement, depending on how the cost of repairing the main lines is classified;

SIA RĪGAS ŪDENS 2021 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

- (v) gate valves are separate components of an infrastructure asset and the useful life of gate valves is generally less than that of pipes. The value of an installed gate valve with a diameter of less than 200 mm (not inclusive) is added to profit or loss, while gate valves with a diameter of 200 mm or more are included as separate components of the corresponding asset;
- (vi) hydrants whose a cost, including installation costs, is equal to or greater than EUR 285 are included as separate components of the corresponding asset;
- (vii) the cost of laying asphalt is included as an asset if the cost of the repairs is capitalised in full as part of a single project or as part of the financing terms of special projects. Otherwise, the cost of laying asphalt is included in the profit or loss statement.

7.4 Investment property

Investment property is property held for the purpose of earning rent or appreciation of capital, or a combination of the two, but is not held for sale, for the production or delivery of goods or provision of services, or for any administrative purposes as part of the ordinary course of business.

Assets are reclassified as investment property only when their use changes, as evidenced by the fact that the Company ceases to use the asset itself, sets up an operating lease with another party or completes the construction or development of the asset. Assets are reclassified from investment property to fixed assets only when there is a change in their use, as evidenced by the fact that the Company itself begins to use the asset or developing it with a view to sell.

Investment property is excluded when it is sold or its use is permanently discontinued and no future economic benefits are expected from its sale.

For their initial inclusion, investment properties are measured at cost. The costs include expenses directly related to the acquisition of the investment property.

After the initial inclusion, with the first use of IFRS, the Company continues to assess investment properties for the statement of financial standing using the purchase cost method. See note 20(e) of the financial statement for information about the fair value of investment properties.

7.5 Stock

Stock is accounted at the prime cost or net sale value, whichever is lower. Chemicals and fuels are accounted at the cost of purchase using the FIFO method. Raw materials and consumables include materials for maintenance and cleaning. They are accounted on the basis of the actual costs invoiced, using the FIFO method.

Stock also includes components of infrastructure assets, such as hydrants, gate valves, before they are installed on site and before supporting documentation (e.g. work completion certificates) is prepared.

At the end of every reporting year, stock is reviewed to identify signs of obsolescence: stock that saw no turnover in the last 12 months. When obsolete or damaged stock is found, it is written off, down to its recoverable amount. In accordance with the adopted procedure, accruals are made for stock that has not been in circulation for the last 12 months, at 50% of its book value.

7.6 Short-term assets held for sale

Short-term assets held for sale are assets whose book value will be recovered through a sale transaction rather than through future use of the asset, and which meet both of the following classification criteria:

- the items are available for immediate sale in their present condition and are subject only to the normal conditions set for the sale of such items;
- their sale is likely (based on management's decision to sell, the sale process has been initiated and completion is certain within one year after the process begins).

Short-term assets held for sale are initially included at cost and subsequently measured at the lower of cost or net sale value. When circumstances or events show that the value of a short-term asset held for sale has been reduced, that asset is reviewed to determine its depreciation and investment depreciation losses, which are then included in the comprehensive income statement.

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7.7 Investments in the capital of subsidiaries

Investments in the capital of subsidiaries are accounted for based on their value, minus losses for depreciation. The Company only recognises income when it receives a part of the profit from its subsidiary company earned after the acquisition date. Received amounts, exceeding this profit, are considered investment recovery and are recorded as a decrease in the acquisition value of the investment.

7.8 Advance payments received

Advance payments received by the Company are included once the money is received and are shown as a liability in payables in the balance sheet. Where advance payments are received through contracts with clients, they are accounted for as contract liabilities. If advance payments are received for the execution of projects in connection with the funding received, they are carried forward to deferred income for once the corresponding facilities are commissioned.

7.9 Subsidies, donations, long-term investments received for no consideration

For specific types of investments, subsidies received (after reclassification from long-term advance payments at the time of beginning to use the asset for its intended purpose), donations, and long-term investments received for no consideration, the value is accounted for as deferred income, which is gradually included/(depreciated) as income over the useful lives of the fixed assets received or acquired with the subsidy.

7.10 Accrued liabilities and accruals

Accrued liabilities and accruals are accounted to make it possible for costs to be included in the period in which they are incurred.

Accruals

Accruals are created when, as a result of a past event, the Company has a present obligation to take certain actions for the benefit of another party within the next financial year ('obligation') that is based on a legal, contractual, or practise grounds, and it is probable that an outflow of resources constituting economic benefit will be required to settle the obligation, whereby the Company can reliably estimate the amount required to settle the obligation.

At the end of each reporting period, the Company assesses the sufficiency and the grounds for the accruals made. If accruals are no longer justified, they are deleted. Accruals are created by including the estimated amounts in the profit and loss statement as expenses within one reporting year, or gradually, over multiple reporting years (depending on the nature of the accruals in question). Cancellation of accruals is included as income in the profit or loss statement.

The Company creates the following accruals (See Annex 36 to the financial statement):

- Accruals for the estimated costs of repairs and clean-up of water and sewer main line failures are created in full at the end of the reporting period if the failure occurred and was identified during the reporting period. The cost of cleaning up these failures and repairing the pipelines is determined by preparing cost estimates for the work to be carried out, based on prior experience and knowledge.
- Accruals for industrial waste disposal are made according to the remaining stock of sewage sludge at the end of the reporting year, estimating the cost of sludge disposal;
- Accruals for litigation are created in accordance with management's estimates of the expected scope of the corresponding outflow of economic benefit;
- Special accruals are made for foreseeable liabilities for damage to third parties caused by failures, based on an assessment of the consequences and damage caused by the failure in question. If necessary, accruals for foreseeable liabilities for damage to third parties arising from failures may be adjusted once additional information is obtained about the extent of the consequences and damage caused by the failure in question.

Accrued liabilities

The 'Accrued liabilities' balance sheet item shows:

- clearly known amounts of trade liabilities for the goods or services received during the reporting year, for which the relevant supporting payment document (invoice) has not yet been received on the balance sheet date due to the conditions of the supply, purchase or agreement or due to other reasons.

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These amounts of liability are calculated based on the prices specified in the corresponding agreements and the documents confirming the actual receipt of goods or services, and include expenses in various areas (see Annex 35 to the financial statement).

- The accrued liabilities for expected staff costs consist of the accrued liability for unused holiday leave and the liability for bonuses under remuneration policies. The accrued cost of unused vacations is determined by multiplying the average daily salary of employees for the last six months of the reporting period with the accrued number of days of holidays unused at the end of the reporting period. The accrued cost of unused holiday leave is included in the accrued liabilities (See Annex 35 to the financial statement).

7.11 Lease transactions

The Company primarily acts a lessee in its leasing transactions. The Company has no other leases in which it is the lessor, except for certain insignificant leases of immovable property and insignificant subleases of certain premises.

Company as a lessee

When entering into a contract, the Company assesses whether the contract constitutes a lease or includes a lease. A contract constitutes or contains a lease if the contract provides the right to control the use of an identified asset for a specific period in exchange for payment.

To assess whether a contract provides the right to control the use of an identified asset for a specific period, the Company assesses whether it has both of the following rights throughout the duration of the use of the asset: (a) the right to obtain essentially all the economic benefit from the use of the identified asset during the duration of use; and (b) the right to determine the use of the identified asset.

When a lease begins or is modified, the Company allocates the remuneration stated in the contract to each component of the lease, based on the proportion of that lease component.

The Company includes a right-of-use asset and a lease liability once the lease begins.

Use right assets

Right-of-use assets are initially included at cost, which includes the initial assessed amount of the lease liability plus the initial direct costs incurred by the Company and an estimate of the costs that the lessee will incur to demolish and dispose of the leased asset (if such activities are to take place), and the lease payments made on or before the initial date, discounting any lease incentive payments received.

Right-of-use assets are further estimated using the cost model, i.e. subtracting accumulated depreciation and accumulated depreciation losses. The Company amortises a right-of-use asset over the period until the end of the right-of-use asset's useful life or the duration of the lease, whichever is earliest.

Lease liabilities

On the initial date of the lease, the lease liability is measured at the present value of the lease payments remaining at that date. Lease payments are discounted using the interest rate included in the lease, if this can be readily determined. If this rate cannot be readily determined, the Company uses the interest rate used in comparable borrowings. The comparable borrowing rate has been predominantly used in calculating the lease liabilities on the Company's balance sheet.

Lease liabilities initially include the following payments:

- a) fixed lease payments (including essentially fixed lease payments), minus lease incentives;
- b) variable lease payments that depend on an index or rate and were originally calculated using the index or rate value on the initial date of the lease;
- c) any residual value guarantees given to the lessor by the Company, by a party affiliated with the Company, or a third party not affiliated with the lessor that is financially capable of fulfilling its obligations under the guarantee;
- d) the exercise of the right to buy if there are reasonable grounds to believe that the Company will exercise this right;

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e) fines for the early termination of the lease, unless there are reasonable grounds to believe that the Company will not exercise its right to terminate the lease;

f) lease payments for lease extension periods if there are reasonable grounds to believe that the Company will exercise the right to extend the lease.

The Company's management assesses whether there are reasonable grounds to believe that the Company will exercise the right to extend the lease, the right to purchase, or the right to terminate the lease.

From there on, lease liabilities are measured at depreciated cost using the effective interest rate. Lease liabilities are reassessed if there is a change in the lease payments tied to indices or rates, or in the expected payment related to the residual value guarantee, or a change in the Company management's assessment whether there are reasonable grounds to believe that the Company will exercise the right to extend the lease, the right to purchase, or the right to terminate the lease.

The Company does not recognise right-of-use assets and lease liabilities for leases with a lease duration (at the initial date of the lease) of 12 months or less and for leases with low-value assets involved (the new asset value is less than EUR 5000). The Company recognises payments related to such contracts as an expense using a linear method over the duration of the lease.

Lease liabilities are included as any other liability, with a distinction between long-term and short-term liabilities.

The key estimates pertain to determining lease durations, and the management considers all facts and circumstances that provide an economic incentive to exercise the right to extend a lease or not to exercise the right to terminate a lease. The possibility of extending the lease (or inclusion of periods after the lease expires) are included in the duration of the lease if there is a reasonable certainty that the lease will be extended (or not terminated). The valuation is revised if a significant event or significant a change in circumstances takes place affecting the valuation and is within the lessee's control.

Company as a lessor

At the beginning of a lease, the Company assesses whether the lease is a finance lease or an operating lease by determining whether the lease transfers to the Company all the risks and rewards of ownership of the leased asset.

Leases of assets in which all the essential risks and rewards of ownership are not transferred to the lessee are classified as operating leases.

The Company, in its role as the main lessor, has only operating leases. Lease income arising from operating leases for real property is included over the duration of the lease using a linear method.

Sublease agreements

The Company has classified as finance leases subleases that sublease a part of the assets that it itself leases from the lessor and that have a duration equal to the duration of the contracts through which the Company itself leases the corresponding properties from the lessor.

7.12 Enterprise income tax

Payable tax

In the Republic of Latvia, the Enterprise Income Tax Law, which took effect of 1 January 2018, states that the rate of the tax is 20% of the taxable base, which is determined by dividing the value of the amount subject to the enterprise income tax by a factor of 0.8 and includes:

- distributed profit (calculated dividends, dividend-like expenses, contingent dividends), and
- attributable distributed profit (e.g. non-operating expenses and other specific cases provided for by the law).

The new tax procedure does not apply to the distribution of retained profits generated before 31 December 2017 and subject to the enterprise income tax under the previous legislation. As of 31 December 2021, the balance of retained profits generated before 31 December 2017 amounted to EUR 17,014,968.

Deferred tax

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According to the principles of IAS 12 'Income Taxes', deferred tax assets and liabilities must be included using the rate that is expected to be applied to retained profits.

The Enterprise Income Tax Law, effective since 1 January 2018, applies the 20% rate only to distributed profits, and the 0% rate to retained profits. Accordingly, deferred tax assets and liabilities are included at a value of zero.

7.13 Cash and cash equivalents

Cash and cash equivalents comprises the current bank account balances.

The cash flow statement is prepared using the indirect method, with adjustments made to reconcile operating profit with cash flows from operating activities, investment activities, and financing.

7.14 Depreciation

Loss due to depreciation is recognised whenever the amount of an asset or its cash-generating part exceeds its recoverable amount. Losses due to depreciation are specified in the profit or loss statement.

Financial assets and investments in subsidiaries

At the end date of every reporting period, the Company assesses evidence of depreciation of receivables from contracts with clients and other receivables, at an individual and collective level.

Depreciation losses for assets shown at depreciated prime cost are measured as the difference between the book value of the financial asset and the current value of estimated future cash flows, discounted at the asset's original effective interest rate.

The Company measures depreciation by assessing the expected credit losses (ECL) for financial assets valued at depreciated cost in accordance with paragraph IFRS 9 .

The Company uses a simplified model for the depreciation of its receivables portfolio, grouping receivables from the Company's core business of water supply and sewer services and other receivables by similar credit loss risk characteristics, using the days the receivables are overdue as the primary risk parameter.

In the simplified model the financial asset's deductions for such losses are equal to the expected credit losses over the life of the financial asset; using the accruals matrix, the Company includes ECL for receivables based on historical information about the amounts lost due to default, and taking into account factors affecting ECL in the future.

The Company applies a simplified approach to measure ECL for individually significant receivables and includes ECL based on a percentage ratio of default to recovery.

In the statement of comprehensive income, Losses are included in the profit or loss statement and presented as accruals for assets that reduce receivables. Interest on a depreciated asset continues to be included, without the discount. If, as a result of an event occurring after the inclusion of the loss, the depreciation loss decreases, the decrease is reversed through the profit or loss statement.

Based on the credit ratings of the relevant credit institutions, the Company considers the risk of credit losses for its cash and cash equivalent balances to be low.

Losses from the depreciation on an investment in a subsidiary are measured by comparing the recoverable amount of the investment with its book value in accordance with IAS 36. Losses due to depreciation are included in the profit or loss statement, but are removed if there are changes in the estimates used to determine the recoverable amount.

(i) Non-financial assets

At the end of every reporting period, the Company assesses whether there is any indication that the value of non-financial assets other than stock may have been reduced. If it is determined that such indications exist, the recoverable amount of the asset is estimated. Loss due to depreciation is recognised whenever the amount of an asset or its cash-generating part exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generate cash flows and that are independent of other assets and groups of assets. Depreciation losses are included in the profit or loss statement of the comprehensive income statement.

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Depreciation losses included with respect to cash-generating units are initially included to reduce the book value of the corporate assets attributable to them and, subsequently, to accordingly reduce the book value of the other assets in the unit (group of units).

The recoverable amount of an asset or cash-generating unit is its operating value or its fair value minus sales costs, whichever is higher. In assessing the operating value, estimated future cash flows are discounted to their present value using a pre-tax discount rate that represents the current market assessments of the time value of money and the risks associated with the asset or cash-generating unit.

Depreciation losses included in the previous reporting period are reviewed at the end date of every reporting period to determine whether there is any evidence that the loss has decreased or no longer exists. Losses due to depreciation are removed if there are changes in the estimates used to determine the recoverable amount. Depreciation losses are removed only to the extent that the book value of the asset does not exceed the book value, minus depreciation, that would have been calculated if the depreciation loss had not been included.

7.15 Affiliated parties

According to the definition used in IAS 24 'Related Party Disclosures', related (affiliated) parties include legal entities and private individuals that are related to the Company in the following ways:

- a) A person or a close family member of that person is affiliated with the reporting company, if:
 - i) this party has control or joint control over the reporting company;
 - ii) this person has significant influence over the reporting company, or
 - iii) this person is a representative of the senior management of the reporting company or its parent company.

- b) A company is related to the reporting company, if it meets the following conditions:
 - i) the company and the reporting company belong to the same group of companies (which means that the parent company, subsidiary and sister companies are related parties to each other);
 - ii) the company is an associated company or joint venture of the other company (or an associated company or joint venture of the parent company that owns the other enterprise);
 - iii) the two companies are joint ventures for the same third party;
 - iv) one company is a joint venture of a third party and the other company is an associate of the same third party;
 - v) the company has a post-employment benefit plan for employees of the reporting company, or the company's employees are affiliated with the reporting company. If the reporting company itself has such a benefit plan, the sponsoring employers are also affiliated parties;
 - vi) the company is controlled or jointly controlled by the party identified in paragraph (a);
 - vii) the party identified in section (a)(i) has significant influence over the company or is a member of the senior management of the company (or its parent company);
 - viii) the company, or any member of the group to which the company belongs, provides management staff services to the company or the company's parent company.

The related parties of the Company are its subsidiary, Riga City Council (which has significant control over the Company), as well as the building managers of the housing stock whose owner is the sole owner of the Company (Riga City Council), members of the management board, heads of the Company's departments, their close family members, and companies in which these parties have control or significant influence.

All transactions of the Company with the companies owned by the Riga City Council took place in the ordinary course of business of the Company.

7.16 Inclusion of income, net turnover, and income from contractual fines

The net turnover is the total of the value of products sold and services provided during the year, minus any discounts and value-added tax.

Income from contracts with clients, according to the criteria of IFRS 15, includes the goods sold and services provided in the ordinary course of main business. The Company uses the following criteria to identify contracts with clients:

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- the parties to the contract have accepted the contract (in writing, verbally or in accordance with other customary business practice) and have undertaken to fulfil their respective obligations;
- one can determine each party's rights pertaining to the goods or services to be provided;
- one can determine the payment terms for the goods or services to be provided;
- the contract is commercial in nature (i.e. the risk, timing, or amount of the Company's future cash flows is expected to change as a result of the contract);
- the Company is likely to collect the consideration due in exchange for the goods or services provided to the client.

The main types of income and their characteristics are as follows:

Income from water supply and sewer services

Income is included in accordance with the fees approved by the Public Utilities Commission at the end of each month or quarter. In accordance with Riga City Council Binding Regulation 4 'On the provisions of the public water management services contract, its conclusion, amendment, and termination' of 18 October 2017, water consumption is determined according to the meter readings reported by the clients (building owners and building managers) who have a contract with the Company. In locations where there is no meter, consumption is determined (until a meter is installed) according to the level of development of the apartment and the respective consumption standards for water supply and/or sewer services. See below for information about fees.

Income from ancillary sewer services

Income is generated in accordance with Section 6 of Cabinet Regulation 174 'Regulations on the provision and use of public water management services' of 22 March 2016 and is booked at the end of every month, with the amount determined on the basis of the meter readings reported by the client. See below for information about fees.

Fees

On 26 April 2018, the public utilities regulator approved the fees for water management services. The fee for water supply services approved was at EUR 0.85 per m³, and the fee for the sewer services at EUR 0.74 per m³; the fees took effect on 1 June 2018.

On 15 April 2020, the shareholder meeting of the Company reviewed the Company's proposal for a reduction of water management service fees for a period of three months in connection with the state of emergency declared to limit the spread of COVID-19. The shareholder meeting of the Company decided to approve the submission of the Company's application for a 7% reduction in the water management services fee for a period of three months in connection with the state of emergency declared to limit the spread of COVID-19 to the Public Utilities Commission (PUC).

The application for a 7% fee reduction over a three-month period was submitted to PUC on 15 March 2020, and on 23 April 2020 PUC adopted a decision to approve the following fees (shown without value-added tax) for SIA 'Rīgas ūdens': (i) water supply service fee, at EUR 0.80 per m³; (ii) water production service fee, EUR 0.26 per m³; (iii) sewer service fee, at EUR 0.68 per m³; (iv) wastewater treatment service fee, at EUR 0.31 per m³.

In 2020 and 2021, the following fees for water management services were in effect:

	01.01.2020– 30.04.2020.	01.05.2020– 31.07.2020.	01.08.2020– 31.12.2020.	01.01.2021– 31.12.2021.
Water supply services fee	EUR 0.85 per m ³	EUR 0.80 per m ³	EUR 0.85 per m ³	EUR 0.85 per m ³
Water production services fee	EUR 0.27 per m ³	EUR 0.26 per m ³	EUR 0.27 per m ³	EUR 0.27 per m ³
Sewer services fee	EUR 0.74 per m ³	EUR 0.68 per m ³	EUR 0.74 per m ³	EUR 0.74 per m ³
Wastewater treatment services fee	EUR 0.33 per m ³	EUR 0.31 per m ³	EUR 0.33 per m ³	EUR 0.33 per m ³

As a precautionary measure, contractual fines for the non-payment of invoices for water supply and sewer services are included as income only once received, under 'Other operating income'

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In accordance with a 20 March 2020 decision of the management board of the Company, no late interest was charged for water services provided from March 2020 to July 2021.

On 13 October 2021, the Company's management board adopted a decision, stating that starting from 1 October 2021, no interest on late payment would be charged in relation to the water management services provided by SIA 'Rīgas ūdens'. At the time of the preparation of this statement, this management board decision was in effect.

Income from branch line design and construction services

The duration of these services is short and the income per project is low. These projects are most often completed within a week, but the service provision period can in rare cases be a few months. This income is included not over time, but once the client accepts the work actually performed.

Income from water infrastructure relocation fees

This income is earned in accordance with Section 49 of Riga City Council Regulation 'Binding regulations for the operation, use, and protection of the centralised water supply and sewer system of the city of Riga' of 15 December 2017, and is booked as income once the service is provided to the client.

Other non-recurring commercial services based on contracts with clients

Income is booked once the service is provided.

7.17 Contract assets and contract liabilities

Contract assets include rights to consideration for services provided, whereby the Company has fulfilled its obligations, but has not yet issued invoices as of the reporting date. Contract assets are reclassified to trade receivables when the right to receive consideration becomes an unconditional right, which is usually once the client is invoiced. This right is included as trade receivables balances.

Given the nature of the Company's contracts with clients, the Company does not have significant contract assets.

Contractual liabilities consist mainly of advance payments received from clients for services provided by the Company and prepayments for which income is booked over time.

See Annex 33 for information about the amounts recognised during the reporting period as income from contractual liabilities that had been reported at the beginning of the year.

7.18 Events after the balance sheet date

The financial statement includes events after the end of the reporting year that provide additional information about the financial position of the company at the balance sheet date (correcting events). If the events after the end of the reporting year do not cause any adjustments, they must be shown in the annex to the financial statement, but only if significant.

7.19 Possible liabilities and assets

Possible assets and possible liabilities are not included in the balance sheet. If any exist as of the balance sheet date, explanatory information about them is presented in the annexes.

7.20 Other operating income

Water services income from previous periods

If it is found that water management services were provided during previous reporting periods, including in the cases specified in Section 53 of Cabinet Regulation 174 'Regulations regarding the provision and use of public water management services' of 22 March 2016, this income is included in the reporting period as other income, at the time when this use of water management services is found.

Income from compensation for exceeding the maximum allowed concentration of pollutants in wastewater, and from contractual fines

In accordance with the precautionary principle, compensation for exceeding the standard concentration of pollutants in wastewater discharged into the centralised sewer system, as well as fines for non-compliance with contractual terms and payment deadlines, are included as income when receiving these amounts is reasonably foreseeable, i.e. on a cash-flow basis: once the payment is credited to the Company's bank account.

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7.21 Employee benefits

Short-term employee benefits, including salaries, bonuses, and leave benefits, are valued without discounting and included in net operating expenses on an accruals basis. The Company contributes the amount specified to the state social insurance fund for every employee throughout the period of their employment in accordance with the requirements of laws and regulations. The Company has no obligation to make further contributions with respect to the services provided by retired employees. The Company does not participate in specific long-term pension schemes and does not provide long-term employee benefits.

8. FIRST INTRODUCTION OF IFRS

This financial statement for the year that ended on 31 December 2021 is the Company's first financial statement prepared in accordance with IFRS. For all prior periods, including the year that ended on 31 December 2020, the Company prepared its financial statements in accordance with the laws and regulations of the Republic of Latvia.

Accordingly, the Company has prepared and presented comparative data for the period that ended on 31 December 2020 and the transition date, 1 January 2020.

The transition from Latvian legislation to IFRS had the following effects on the valuation and presentation of balance sheet items, estimates, 2020 profit or loss and net assets, and the cash flow statement for the year that ended on 31 December 2020. The tables below show the effect of the changes. See below the tables for comments on the changes.

Comparison as of the transition date: 1 January 2020:

		Latvian law, 1 January 2020 EUR	Changes in valuation EUR	IFRS, 1 January 2020 EUR
ASSETS				
Intangible investments		677,678		677,678
Fixed assets	I	275,471,855	(865,372)	274,606,483
Right to use assets	II	-	1,019,211	1,019,211
Investment property	I	-	865,372	865,372
Long-term financial investments	V	90,303	63,805	154,108
Total long-term investments		276,239,836	1,083,016	277,322,852
Stock	III	2,229,397	(4600)	2,224,797
Receivables from contracts with clients	IV	6,411,955	126,046	6,538,001
Other receivables	V	809,533	6619	816,152
Deferred expenses		281,643	-	281,643
Cash		15,300,798	-	15,300,798
Long-term investments held for sale	III	-	4600	4600
Total current assets		25,033,326	132,665	25,165,991
TOTAL ASSETS		301,273,162	1,215,681	302,488,843

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LIABILITIES		Latvian law, 1 January 2020 EUR	Changes in valuation EUR	IFRS, 1 January 2020 EUR
EQUITY				
Fixed capital		127,578,573	-	127,578,573
Profit retained in previous years		22,204,760	-	22,204,760
Accrued profit		8,446,550	147,042	8,593,592
Total capital	VI	158,229,883	147,042	158,376,925
Total accruals as a separate section in liabilities:	VII.	1,466,902	(1,466,902)	-
Long-term liabilities:				
Lease liabilities	II	-	834,304	834,304
Other long-term liabilities		119,208,266	-	119,208,266
Long-term liabilities, total		119,208,266	834,304	120,042,570
Short-term liabilities:				
Loans	VIII	4,944,444	18,256	4,962,700
Lease liabilities	II	-	234,335	234,335
Accrued liabilities	VIII	5,824,531	(18,256)	5,806,275
Accruals	VII.	-	1,466,902	1,466,902
Total other short-term liabilities		11,599,136	-	11,599,136
Short-term liabilities, total		22,368,111	1,701,237	24,069,348
TOTAL LIABILITIES AND EQUITY		301,273,162	1,215,681	302,488,843

Below is a comparison of the Company's net assets as of 31 December 2020:

ASSETS		Latvian law, 31 January 2020 EUR	Changes in valuation EUR	IFRS, 31 December 2020 EUR
Intangible investments		969,359		969,359
Fixed assets	I	273,849,575	(855,959)	272,993,616
Right to use assets	II	-	837,695	837,695
Investment property	I	-	865,372	865,372
Long-term financial investments	V	-	50,759	50,759
Total long-term investments		274,818,934	897,867	275,716,801
Stock	III	2,006,155	(260,093)	1,746,062
Receivables from contracts with clients	IV	6,172,958	58,617	6,231,575
Other receivables	V	299,726	99,707	399,433
Deferred expenses		250,119	-	250,119
Cash		18,318,728	-	18,318,728
Long-term investments held for sale	III	-	260,093	260,093
Total current assets		27,047,686	158,324	27,206,010
TOTAL ASSETS		301,866,620	1,056,191	302,922,811

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LIABILITIES		Latvian law, 31 January 2020 EUR	Changes in valuation EUR	IFRS, 31 December 2020 EUR
EQUITY				
Fixed capital		127,586,633	-	127,586,633
Profit retained in previous years	VI	30,651,310	147,042	30,798,352
Accrued profit	VI	8,097,791	30,157	8,127,948
Total capital		166,335,734	177,199	166,512,933
Total accruals as a separate section in liabilities	VII.	1,284,614	(1,284,614)	-
Long-term liabilities:				
Lease liabilities	II	-	656,051	656,051
Total other long-term liabilities		116,165,670	-	116,165,670
Long-term liabilities, total		116,165,670	656,051	116,821,721
Short-term liabilities:				
Loans	VIII	4,944,444	16,377	4,960,821
Lease liabilities	II	-	222,941	222,941
Accrued liabilities	VIII	4,499,373	(16,377)	4,482,996
Accruals	VII.	-	1,284,614	1,284,614
Other short-term liabilities		8,636,785	-	8,636,785
Short-term liabilities, total		18,080,602	1,507,555	19,588,157
TOTAL LIABILITIES AND EQUITY		301,866,620	1,056,191	302,922,811

Below is a comparison of the statement of comprehensive income for the year that ended on 31 December 2020.

		Latvian law, 2020 EUR	Changes in valuation EUR	IFRS, 2020 EUR
Income		55,656,154		55,656,154
Expenses to achieve income	II	(46,168,014)	8190	(46,159,824)
Gross profit or loss		9,488,140	8190	9,496,330
Sales costs	II	(1,993,490)	228	(1,993,262)
Administrative costs	II	(3,924,765)	7069	(3,917,696)
Other operating income	V	5,265,566	(13,587)	5,251,979
Other operating expenses	IV	(420,259)	25,660	(394,599)
Operating results		8,415,192	27,560	8,442,752
Financial income	V	12,224	540	12,764
Financial costs	I	(329,625)	2057	(327,568)
Profit for the reporting year		8,097,791	30,157	8,127,948

I - In applying the requirements of IFRS 1 and IAS 23, the Company capitalises interest on borrowings. The Company applies the exemption and accounts for borrowing costs in accordance with IAS 23, for costs that were incurred on or after the date of the exemption (or after this date), including those costs that are related to assets in the process of being created. The Company does not adjust borrowing costs accounted for in accordance with the requirements of the previous framework prior to the use of the selected IAS 23.

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In applying the requirements of IFRS 1 and IAS 40, the Company separates investment properties (land and buildings) that were previously included in fixed assets and presents them in a separate balance sheet item.

II - In applying the requirements of IFRS 1 and IFRS 16, the Company includes right-of-use assets and lease liabilities. A modified retrospective approach was used at during the initial implementation with the transition date on 1 January 2020. Leases concluded before the transition date were considered so as not to assess their compliance with the definition of a lease. IFRS 16 was not used to leases expiring before 31 December 2020 and to contracts where the initial value of the leased asset was less than EUR 5000.

The positive effect on equity from the implementation of IFRS 16 is related to the inclusion of assets from subleases entered into and the exclusion of the related right to use the assets, which resulted in the inclusion of resulting profits on subleases classified as finance subleases;

III - In applying IFRS 1 and IFRS 5, the Company reclassifies short-term assets held for sale from stock to a separate line item

IV With the use of IFRS 9, adjustments to the assessment of trade receivables were included to take account of ECL. The accruals standards for receivables set previously were not statistically justified. As part of the transition to the statistical method, previously included accruals were partially reversed.

V In accordance with IFRS 16, finance sublease receivables were included, with long-term and short-term parts. With the use of IFRS 9, adjustments to the assessment of other receivables (lessees, etc.) are included to take account of ECL.

In the statement of comprehensive income, sublease income decreases, because the interest income is shown.

VI - Shown is the cumulative effect on the statement of comprehensive income and retained profit created by evaluating the items in line with IFRS.

VII - In using IFRS 1, the Company reclassified accruals from a separate item on the balance sheet to a item in the liabilities.

VIII- As part of using IFRS 1, financial liabilities are assessed at fair value on initial booking and, for disclosure purposes, at the end of each reporting period. Accrued interest is reclassified from accrued liabilities and added to the principal amount of the loan.

In addition, more information is shown in the annex to the financial statement when preparing it under IFRS.

The influence on the cash flow statement and a comparison for the year ended 31 December 2020 are shown below:

		Latvian law, 2020 EUR	Changes in valuation EUR	IFRS 2020 EUR
Cash flow from main business	IX, V	18,739,116	237,488	18,976,604
Cash flow from investment activities	X, V	(13,456,560)	(8975)	(13,465,535)
Cash flow from financing activity	IX	(2,264,626)	(228,513)	(24,93,139)
Net cash flow for the reporting year		3,017,930	-	3,017,930
Cash and its equivalent balance at the beginning of the reporting year		15,300,798	-	15,300,798
Cash and its equivalent balance at the end of the reporting year		18,318,728	-	18,318,728

IX The transition to IFRS also had an impact on the cash flow statement. Lease payments, previously reported as operating cash flows, were classified as cash flows from financing activities.

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X Interest payments that were capitalised as fixed assets are now reported as cash flows from investing activities.

V Furthermore, interest from subleases is shown as cash flow from investing activities, and was previously shown as rental income in the cash flow from operating activities.

9. INTRODUCTION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

9.1 Standards effective since 1 January 2021

A number of new standards (or amendments to them) that did not have a significant impact on the Company's financial statements took effect on 1 January 2021, including the COVID-19-related lease concessions, which after 30 June 2021 (amendment to IFRS 16) had no impact on the Company's financial statements.

9.2 Other standards

There was no retroactive application of the following new and amended standards that were effective during the reporting periods beginning after 1 January 2021. The management is still considering the potential impact, but does not expect it to have a significant effect on the Company's financial statements in the future:

- Onerous contracts — contract enforcement costs (amendments to IAS 37);
- Fixed assets — income before planned use (amendments to IAS 16);
- Reference to the conceptual framework (amendments to IFRS 3);
- Classification of liabilities as short-term or long-term (amendments to IAS 1);
- Reform of interest rate benchmarks — phase 2 (amendments to IFRS 9, SGS 39, IFRS 7, IFRS 7, and IFRS 16);
- IFRS 17 Insurance Contracts and Amendments IFRS 17 Insurance contracts.
- Definition of accounting estimates (amendments to IAS 8);
- Accounting policy disclosures (amendments to IAS 1 and IFRS 2 practice statement);
- Deferred tax pertaining to the assets and liabilities arising from a separate transaction (amendments to IAS 12).

10. DETERMINATION OF FAIR VALUE

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an ordinary transaction between market participants in their main market at the date valuation or, if no market exists, in the most beneficial market that the Company has access at that date. The fair value of liabilities takes into account the risk of default.

In accordance with the Company's accounting policies and disclosure requirements, fair value is to be determined for financial and certain non-financial assets and liabilities.

In estimating the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair value is classified into different levels within the fair value hierarchy based on the data used in the assessment methods:

- Level 1: quoted market prices (unadjusted) of identical assets or liabilities;
- Level 2: input data other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: input data for an asset or liability that are not based on observable market data (unobservable data).

If the input data used in the fair value measurement for an asset or liability can be assigned to the different levels of the fair value hierarchy, the fair value measurement is generally assigned to the level of the fair value hierarchy that includes the lowest level of input data that are significant to the entire measurement.

Reclassifications between levels of the fair value hierarchy are recorded by the Company at the end of the reporting period in which they occur.

For valuation and disclosure purposes, fair value was determined using the methods specified below. Where appropriate, more information about the assumptions made in determining the fair value is disclosed in the notes to the financial statements covering that asset or liability.

Level 1 includes cash and cash equivalents. Cash and cash equivalents are financial assets with a maturity of 3 months or less. The Company considers the fair value of these financial assets to be consistent with their initial nominal value and book value at any subsequent date.

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The Company has no financial assets and liabilities that are included in Level 2.

Level 3 includes:

- Borrowings from credit institutions and lease liabilities;
- Accounts payable and receivable;
- Investment properties.

10.1 Borrowings from credit institutions and lease liabilities

Non-derivative financial liabilities are assessed at fair value on initial booking and, for disclosure purposes, at the end of each reporting period. For the purposes of presenting information, the fair value of financial liabilities with maturities of more than 6 months is calculated based on the present value of the future principal amount and the interest cash flows discounted at the market interest rate on the date of the valuation. The Company's borrowings include fixed and variable interest rate components and it assesses changes in the fixed portion of the bank loan late rate every year, in line with market conditions. The borrowing interest rate is assumed to be close to the market rate at all the balance sheet dates shown.

For lease liabilities, the market interest rate is determined using the interest rate on comparable borrowings. For financial liabilities with a shorter maturity, their fair value at initial booking and their subsequent book value is assumed as the approximate fair value of these liabilities, because the effect of discounting is considered not to be significant.

10.2 Accounts payable and receivable

Trade and other receivables, receivables from affiliates, other receivables, other financial assets, trade payables, payables to affiliates, and other financial liabilities generally have maturities of less than six months, and the Company considers the fair values of these financial assets and liabilities to be consistent with their initial nominal value and their book value at any subsequent date.

10.3 Investment property

Every year, the Company's investment property is valued by an external, independent, certified valuation company with recognised professional qualifications and recent experience in valuing properties in the appropriate category and location. If possible, fair value is based on market value, which is the estimated amount of money that the property could be exchanged for at the valuation date in an arm's length transaction between a willing buyer and a willing seller, with due advertisement, with both the parties acting with due knowledge.

If no current prices are available on the active market, the valuation is done using the income method. The gross property valuation for investment properties is done by using a market margin to the estimated lease value. If the actual rent differs significantly from the estimate, adjustments are made to take into account the actual rent.

See note 20(e) to the financial statement concerning the fair value of the investment properties included in the balance sheet using the purchase method, minus accumulated depreciation and wear.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed to the following financial risks pertaining to the use of financial instruments:

- credit risk;
- interest rate risk;
- liquidity risk;
- market risk;

This note contains information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for assessing and managing the risks, and the Company's principles for managing financial risk and capital. Further quantitative information is included later in these financial statements.

Risk management structure

The Company's management is responsible for setting up and monitoring the Company's risk management structure. In order to achieve the Company's risk management objectives, risk management is integrated into the Company's core business and governance. Risk management is the process of identifying, assessing, and managing the risks inherent in the Company, the occurrence of which could impede or jeopardise the achievement of its goals.

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The Company is improving its risk management processes, including its Risk Management Policy, other internal regulations, as well as their practical application, in order to be more successful in a shifting business environment and to ensure a secure provision of its services. The purpose of the Company's risk management is to identify and manage the Company's most significant risks in a timely manner, in order to enable the achievement of strategic goals and to minimise potential losses and other harm.

The most significant financial instruments of the Company are its financial assets: trade and other receivables, and financial liabilities, i.e. borrowings, lease liabilities, trade and other payables. The Company operations are subject to various financial risks, including the credit risk, the liquidity risk, and the interest rate risk. The management board of the company minimises the negative impact of potential financial risks on the financial standing of the company.

Credit risk

Credit risk is the risk that the Company will incur in financial loss if a client or other party to a financial instrument fails to meet its contractual obligations.

Financial assets that potentially expose the Company to a certain credit risk concentration degree are mostly cash and trade receivables. One client takes up a significant share of the net turnover, accounting for up to 33% of sales. The management board of the Company minimises the negative impact of potential financial risks on the financial standing of the Company by taking a combination of control and analysis measures. The Company has developed an internal procedure for the monitoring of receivables, for determining individualised receivables monitoring measures based on client group, which includes taking into account the risk of concentration of credit risk.

The Company's receivables are properly monitored. Trade receivables are presented according to the recoverable value, and the Company regularly inspects the payment discipline of its receivables. The basic services provided by the Company are largely essential services for its clients, and if there is non-payment, the Company has the option not to provide the service.

Partners of the Company in cash transactions are financial institutions with appropriate credit history.

Since 1 October 2015, the applicable laws and regulations allow owners of apartment buildings to pay for the water services provided to their homes without the intermediation of a building manager, paying directly to the service provider. The Company must allow such direct payments for services. In 2021, direct payments were used by clients in 28 apartments (one site). *Liquidity risk*

Liquidity risk is the risk of the Company not being able to fulfil its financial obligations in due time. The Company's management analyses the maturity structure of assets and liabilities to address liquidity risk. The Company's management monitors liquidity risk by ensuring the timely availability of funds.

On 27 February 2015, a long-term loan agreement was signed with AS Swedbank for EUR 25,000 thousand. The maturity date of the loan is 1 March 2022, which was extended to 1 April 2022 in February 2022. The balance of the loan as of 31 December 2021 was EUR 10,417 thousand.

Also, see Annex 28 to the financial statement to see the long-term loan agreement with Swedbank AS entered into after the balance sheet date for an amount of EUR 15,000 thousand.

On 8 February 2019, a long-term loan agreement was signed with the OP Corporate Bank Plc branch in Latvia, for EUR 24,000 thousand. The loan repayment deadline is 7 February 2024. The balance of the loan as of 31 December 2021 was EUR 18,889 thousand.

In order to differentiate the sources of financing, the Company entered into negotiations with international financial institutions: the European Investment Bank and the European Bank for Reconstruction and Development.

At the meeting of the management board of the *Company* held on 13 April 2022, the draft report to the supervisory board of SIA 'Rīgas ūdens' regarding the prior approval of the supervisory board to conclude an agreement with the European Investment Bank for a long-term loan of EUR 60,000,000 was considered and submitted to the supervisory board of the *Company*. It is expected that in the first half of 2022, an agreement will be signed with the European Investment Bank to raise a long-term loan of EUR 60 million.

Despite that on 31 December 2021, the Company's short-term liabilities exceeded its short-term assets by EUR 9,123 thousand, and taking into account the loan agreement entered into after the end of the financial year, the Company's liquidity is kept at an adequate level, ensuring its ability to settle liabilities within the set deadlines, and there is no risk to the Company's financial stability and sustainable development.

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Interest rate risk

The Company's interest rate risk arises from borrowings that bear interest at a fixed floating rate based on 3 or 6-month EURIBOR, with the risk that the cost of financing rises significantly if EURIBOR increases. The Company mitigates interest rate risk by regularly analysing the interest rate on the market, assessing the usefulness of refinancing its borrowings, borrowing at a fixed interest rate, or using other financial instruments to mitigate risks in the event of a EURIBOR increase.

Capital management

The Company considers it necessary to maintain a stable capital base in order to uphold the confidence of its creditors in the Company and to ensure the continued development of the Company. The management monitors the return on capital as well as the amount of dividends paid to shareholders.

The Company's medium-term operational strategy includes capital structure and return on capital ratios as financial targets.

The equity ratio at the end of the reporting period is 55%, significantly above the minimum financial target of 35%. The Company was profitable during the reporting period, delivering a return on assets and meeting its financial targets.

12. Income

	2021 EUR	2020 EUR
Income from water supply services	27,101,210	27,123,622
Income from sewer services	26,956,236	26,925,220
Income from construction services	332,565	221,848
Other income from contracts with clients	1,442,476	1,385,464
	<u>55,832,487</u>	<u>55,656,154</u>

All of the Company's income from contracts with clients is generated in Latvia.

Income from construction services consists of income from the construction of water main lines and sewer branch lines in areas of Riga where water management infrastructure had been constructed with the co-financing of the Cohesion Fund.

Assets and liabilities from contracts with clients

This table shows contract balances, including receivables and contract liabilities:

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Receivables (gross) reported under 'Receivables from contracts with clients (Note 23)	7,319,587	6,795,306	7,015,836
Contractual obligations (Note 33)	(1,945,434)	(897,555)	(3,291,442)
	<u>5,374,153</u>	<u>5,897,751</u>	<u>3,724,394</u>

13. Expenses to achieve income

	2021 EUR	2020 EUR
Depreciation of fixed assets and intangible investments	14,536,061	14,498,677
Remuneration for work	10,689,600	10,707,296
Mandatory state social insurance contributions	2,476,612	2,533,057
Water and sewer pipeline repairs	5,837,142	3,735,906
Electricity expenses	4,099,085	3,810,101
Chemicals costs	1,861,943	1,854,228
Equipment repairs and maintenance	1,760,031	1,729,625
Natural resource tax	1,099,899	1,134,153

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Materials and spare parts	1,140,048	997,651
Low-value equipment	245,085	241,489
Sludge disposal costs	1,000,173	973,826
Vehicle maintenance	428,932	399,627
Fuel	322,269	300,019
Cost of security services	788,701	706,975
Real estate maintenance costs	809,892	715,347
Heating energy costs	434,093	354,306
Natural gas costs	222,637	255,748
Information technology expenses	322,859	367,947
Staff health insurance and medical examinations	250,979	262,061
Real estate tax	157,634	161,835
Depreciation of right-of-use assets	73,396	70,830
Communication and postal costs	70,560	79,170
Riga strategic water supply and sewer system development expenses and other production consulting	32,700	6313
Other production costs	270,546	263,637
	48,930,877	46,159,824

14. Sales costs

	2021	2020
	EUR	EUR
Remuneration for work	1,183,600	1,174,233
Mandatory state social insurance contributions	276,644	280,284
Meter replacement and verification	114,883	199,408
Information technology expenses	81,287	103,437
Communication and postal costs	78,665	78,155
Real estate maintenance costs	17,559	16,934
Staff health insurance and medical examinations	27,577	27,520
Low-value equipment	17,640	8935
Materials and spare parts	13,606	16,391
Fuel	6655	6765
Real estate tax	8483	6732
Depreciation of fixed assets and intangible investments	99,526	11,829
Depreciation of right-of-use assets	17,034	17,034
Other costs	41,006	45,605
	1,984,165	1,993,262

15. Administrative costs

	2021	2020
	EUR	EUR
Remuneration for work	2,309,047	2,286,650
Mandatory state social insurance contributions	542,040	548,460
Depreciation of fixed assets and intangible investments	376,922	275,812
Depreciation of right-of-use assets	124,907	132,518
Operating and real property maintenance costs	76,818	58,058
Information technology expenses	92,913	144,548
State public services regulator fee	113,541	105,034
Materials and spare parts	24,583	36,900
Transportation costs	17,605	9953
Fuel	11,922	11,654
Management consulting expenses	92,015	93,525

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Stationery and utility costs	16,721	14,987
Telecoms and postal expenses	29,784	39,787
Legal services	3,996	22,285
Staff health insurance and medical examinations	37,974	41,659
Real estate tax	28,258	31,398
Professional service costs	27,450	19,000
Representation costs	186	3,788
Training costs	16,535	12,660
Other administrative costs	68,442	29,020
	4,011,659	3,917,696

16. Other operating income

	2021	2020
	EUR	EUR
Income from Cohesion Fund project funding (Annex 32)	2,976,059	2,977,091
High sewer wastewater pollution fee	605,643	955,356
Net profit from the sale of long-term investments held for sale	534,352	91,501
Income from donations received (Annex 32)	295,730	295,930
Income from investment projects (Annex 32)	169,152	134,168
Rent income	100,547	114,521
Contractual fines received	46,724	81,010
Deferred income from water services	85,211	97,817
Decrease in accruals for pipeline repairs	-	330,597
Other income	275,528	173,988
	5,088,946	5,251,979

The net profit from the sale of long-term investments held for sale consists of income in the amount of EUR 787,231 (2020: 155,036) minus the residual value of the assets sold, EUR 252,879 (2020: 63,535)

17. Other operating expenses

	2021	2020
	EUR	EUR
Accruals for the depreciation of real property	-	20,200
Staff benefits	64,041	64,351
Changes in the accruals for doubtful receivables and write-offs receivables	(15,875)	124,700
Losses from the exclusion of fixed assets	4,992	-
Accruals for fixed assets not used in production	-	33,703
Accruals for equity ownership in affiliated companies	-	8,000
Changes in accruals for litigation and foreseeable liabilities for damage to third parties caused by technical emergencies	-	57,838
Other costs	122,048	85,807
	175,206	394,599

The net profit from the exclusion of fixed assets consists of income in the amount of EUR 26,663 (2020: 0) minus the residual value of the fixed assets sold, EUR 31,655 (2020: 0).

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18. Financial income

	2021	2020
	EUR	EUR
Interest income from a claim (Annex 24)	2019	12,224
Interest income from a LTA sublease	440	540
	2459	12,764

19. Financial costs

	2021	2020
	EUR	EUR
Interest payments to credit institutions	262,820	299,363
Banking service fees	37,126	20,747
Interest costs for lease liabilities	6281	7458
Exchange rate losses	8	-
	306,235	327,568

20. Intangible investments, fixed assets, and investment property

(a) Intangible investments

Concessions, patents, licences, trade marks and similar rights

Initial value	
31.12.2019	3,629,433
Purchased	338,972
Moved from depreciation	98,758
31.12.2020	4,067,163
Purchased	255,556
31.12.2021	4,322,719
Depreciation	
31.12.2019	2,951,755
Estimated depreciation	146,049
31.12.2020	3,097,804
Estimated depreciation	238,598
31.12.2021	3,336,402
Balance sheet value on 31.12.2019	677,678
Balance sheet value on 31.12.2020	969,359
Balance sheet value on 31.12.2021	986,317

As of 31 December 2021, the Company used fully amortised intangible investments with an initial acquisition cost of EUR 1,886,713 (31.12.2020: EUR 1,870,614). Intangible investments are excluded only when they are no longer used or when they are sold.

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(b) Fixed assets

Fixed assets movement report for 2021, EUR:

	Land	Buildings and structures	Investments in leased fixed assets	Production equipment and devices	Other fixed assets	Creation of fixed assets/construction in progress	Advance payments for fixed assets	TOTAL
Initial value:								
31.12.2020	18,502,922	438,389,906	1,096,081	36,873,223	10,578,212	4,581,853	5,139,417	515,161,614
Purchased	-	905,688	18,001	1,233,965	238,409	22,140,702	3,492,697	28,029,462
Capitalised loan interest	-	-	-	-	-	3242	-	3242
Excluded	-	(397,060)	-	(369,474)	(123,268)	(8000)	-	(897,802)
Reclassified from creation of fixed assets	-	6,015,063	-	1,226,737	126,782	(7,368,582)	-	-
Reclassified from advance payments	-	20,319	-	9223	2418	3,826,672	(3,858,632)	-
Moved to/from Short-term assets held for sale	(325,554)	(187,988)	-	7024	-	-	-	(506,518)
31.12.2021	18,177,368	444,745,928	1,114,082	38,980,698	10,822,553	23,175,887	4,773,482	541,789,998
Depreciation and wear:								
Accrued depreciation	-	205,583,024	295,177	28,492,160	5,847,400	-	-	240,217,761
Accrued depreciation	1,204,760	676,097	-	-	-	69,380	-	1,950,237
Total as of 31.12.2020	1,204,760	206,259,121	295,177	28,492,160	5,847,400	69,380	-	242,167,998
Estimated depreciation	-	11,325,969	166,216	2,189,788	1,091,937	-	-	14,773,910
Depreciation for removed assets	-	(383,288)	-	(364,659)	(118,200)	-	-	(866,147)
Moved to/from long-term assets held for sale:	-	(67,781)	-	-	-	-	-	(67,781)
Depreciation reclassified to long-term assets held for sale	(186,667)	(114,084)	-	-	-	-	-	(300,751)
31.12.2021	1,018,093	217,019,937	461,393	30,317,289	6,821,137	69,380	-	255,707,229
Including:								
Accrued depreciation	-	216,457,924	461,393	30,317,289	6,821,137	-	-	254,057,743
Reduction in value	1,018,093	562,013	-	-	-	69,380	-	1,649,486
Balance sheet value:								
31.12.2020	17,298,162	232,130,785	800,904	8,381,063	4,730,812	4,512,473	5,139,417	272,993,616
31.12.2021	17,159,275	227,725,991	652,689	8,663,409	4,001,416	23,106,507	4,773,482	286,082,769

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Fixed assets movement report for 2020, EUR:

	Land	Buildings and structures	Investments in leased fixed assets	Production equipment and devices	Other fixed assets	Creation of fixed assets/construction in progress	Advance payments for fixed assets	TOTAL
Initial value:								
31.12.2019	18,495,296	432,457,754	565,031	35,115,073	10,789,500	5,876,528	1,140,981	504,440,163
Purchased	8060	1,133,114	-	748,378	339,324	6,114,377	5,115,924	13,459,177
Capitalised loan interest	-	3373	454	2176	-	3512	-	9515
Excluded	-	(284,509)	(1156)	(403,369)	(91,252)	-	(6756)	(787,042)
Reclassified from creation of fixed assets	-	6,460,054	532,206	1,401,426	-	(8,393,686)	-	-
Reclassified from advance payments	-	16,908	-	14,404	5543	1,073,877	(1,110,732)	-
Reclassified	-	-	-	(1001)	1001	-	-	-
Moved to intangible investments	-	-	-	-	-	(98,758)	-	(98,758)
Moved to short-term assets held for sale:	(434)	(1,393,415)	-	(1688)	(465,904)	-	-	(1,861,441)
31.12.2020	18,502,922	438,393,279	1,096,535	36,875,399	10,578,212	4,575,850	5,139,417	515,161,614
Depreciation and wear:								
<i>Accrued depreciation</i>	-	195,367,889	236,771	26,853,630	5,268,987	-	-	227,727,277
<i>Accrued depreciation</i>	1,184,560	852,463	-	-	-	69,380	-	2,106,403
Total as of 31.12.2019	1,184,560	196,220,352	236,771	26,853,630	5,268,987	69,380	-	229,833,680
Estimated depreciation	-	11,414,612	59,014	2,036,511	1,130,131	-	-	14,640,268
Depreciation for removed assets	-	(240,787)	(608)	(395,297)	(86,815)	-	-	(723,507)
Moved to short-term assets held for sale:	-	(958,685)	-	(1688)	(465,904)	-	-	(1,426,277)
Reclassified	-	-	-	(1001)	1001	-	-	-
Recognised depreciation	20,200	33,703	-	-	-	-	-	53,903
Accruals for excluded assets	-	(33,089)	-	-	-	-	-	(33,089)
Depreciation reclassified to held for sale	-	(176,980)	-	-	-	-	-	(176,980)
31.12.2020	1,204,760	206,259,126	295,177	28,492,155	5,847,400	69,380	-	242,167,998
Including:								
<i>Accrued depreciation</i>	-	205,583,029	295,177	28,492,155	5,847,400	-	-	240,217,761
<i>Reduction in value</i>	1,204,760	676,097	-	-	-	69,380	-	1,950,237
Balance sheet value:								
31.12.2019	17,310,736	236,237,402	328,260	8,261,443	5,520,513	5,807,148	1,140,981	274,606,483
31.12.2020	17,298,162	232,134,153	801,358	8,383,244	4,730,812	4,506,470	5,139,417	272,993,616

As of 31 December 2021, the Company used fully amortised fixed assets with an initial acquisition cost of EUR 107,597,751 (31.12.2020: EUR 102,539,195). Fixed assets are excluded only when they are no longer used and liquidated, or when they are sold. If no future economic benefit is expected from the continued use of an asset, accruals are made for the entire residual value of the asset.

The Company owns a total of 74 real properties consisting of land and buildings, of which 50 are single real properties comprising buildings and land, 7 are undeveloped plots of land, and 17 are building (structure) properties.

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(c) Depreciation and wear

Breakdown of estimated depreciation and wear costs:	2021 EUR	2020 EUR
Included in the production cost of products sold	14,536,061	14,498,677
Included in the sale cost of products sold	99,526	11,829
Included in administrative costs	376,921	275,812
	15,012,508	14,786,318
Including wear pertaining to received Cohesion Fund financing (see Annexes 16 and 32)	2,976,059	2,977,091

(d) Right-of-use assets

Movement of right-of-use assets in 2021

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
Initial value:					
	31.12.2020	484,103	297,057	276,917	1,058,077
Purchased in 2021		-	4707	16,175	20,882
Excluded in 2021		(2310)	(1647)	(48,315)	(52,272)
	31.12.2021	481,793	300,117	244,777	1,026,687
Accrued depreciation					
	31.12.2020	61,285	60,587	98,510	220,382
Estimated depreciation in 2021		59,736	60,583	95,018	215,337
Excluded in 2021		(2310)	(1647)	(48,315)	(52,272)
	31.12.2021	118,711	119,523	145,213	383,447
Balance sheet value:					
	31.12.2020	422,818	236,470	178,407	837,695
	31.12.2021	363,082	180,594	99,564	643,240

Movement of right-of-use assets in 2020

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
Initial value:					
as of 31.12.2019 after the implementation of IFRS 16		484,103	297,057	238,051	1,019,211
Purchased in 2020		-	-	38,866	38,866
	31.12.2020	484,103	297,057	276,917	1,058,077
Accrued depreciation					
as of 31.12.2019 after the implementation of IFRS 16		-	-	-	-
Estimated depreciation in 2020		61,285	60,587	98,510	220,382
	31.12.2020	61,285	60,587	98,510	220,382
Balance sheet value:					
	31.12.2019	484,103	297,057	238,051	1,019,211
	31.12.2020	422,818	236,470	178,407	837,695

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(e) Investment property

Movement of investment property in 2021

		Investment property (land and buildings)
Initial value:		
	31.12.2020	<u>2,029,446</u>
	31.12.2021	<u>2,029,446</u>
Depreciation and wear:		
	Total as of 31.12.2020	<u>1,164,074</u>
	31.12.2021	<u>1,164,074</u>
Including:		
<i>Accrued depreciation</i>		1,109,973
<i>Reduction in value</i>		54,101
Balance sheet value:		
	31.12.2020	<u>865,372</u>
	31.12.2021	<u>865,372</u>

Movement of investment property in 2020

		Investment property
Initial value:		
	31.12.2019, before IFRS implementation	<u>-</u>
	Reclassified from fixed assets	2,029,446
	31.12.2019	<u>2,029,446</u>
	31.12.2020	<u>2,029,446</u>
Depreciation and wear:		
	31.12.2019, before IFRS implementation	<u>-</u>
	Accrued depreciation reclassified from fixed assets	1,109,973
	Accrued depreciation reclassified from fixed assets	54,101
	31.12.2019	<u>1,164,074</u>
	31.12.2020	<u>1,164,074</u>
Including:		
<i>Accrued depreciation</i>		1,109,973
<i>Reduction in value</i>		54,101
Balance sheet value:		
	31.12.2019	<u>865,372</u>
	31.12.2020	<u>865,372</u>

The investment properties are measured in the balance sheet at acquisition cost minus accrued depreciation. The fair value of the investment properties as of 31 December 2021, according to valuations by certified appraisers, was EUR 1,167,010 (31.12.2020: EUR 1,382,530).

As most of the investment properties are land and buildings, and have a book value that is lower than the recoverable amount, no depreciation was calculated.

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The table shows the valuation method used to measure the fair value of the property, as well as key unobservable data:

Type	Evaluation method	Significant unobservable input data	Connection between significant unobservable input data and assessment of the operating value
of the investment property, land and buildings, of which there are a total of 6 sites located in Riga	Two methods were used to determine fair value: comparable transaction or market method and income/land lease capitalisation method	0% annual lease income growth Maintenance and capital expenditure increase: 0% per year Occupancy 55–100% Capitalisation rate 3.09–7.03%	The estimated operating value would increase (decrease) if: - Lease income increase were higher (lower) - The cash flow projection period would be longer (shorter), the capitalisation rate would be higher (lower)

The Company classifies as investment property 2 plots of land with a total area of 4810 m², as well as 6391 m² of buildings located in Riga, the use rights for which were transferred by the Company to third parties.

For information about rental income, see note 30 of the Annex to the financial statement.

The Company does not incur in maintenance costs in relation to the investment property. Immovable property tax expenses in 2021: EUR 12,497 (2020: EUR 12,809); these are compensated by the lessee.

21. Ownership in the share capital of affiliated companies

	31.12.2021.	31.12.2020	31.12.2019
	EUR	EUR	EUR
Aqua Riga SIA (100%)	-	184,401	176,401
Accruals for equity ownership in affiliated companies	-	(184,401)	(176,401)
	-	-	-

Name	Address	Equity			Profit/(loss) for the reporting year		
		31.12.2021.	31.12.2020	31.12.2019	2021	2020	2019
		EUR	EUR	EUR	EUR	EUR	EUR
Aqua Riga SIA	Garkalne Municipality, 'Zaķumuižas urbums', LV-2137	-	6352*	11,320*	-	(4969)*	32*

* Unaudited data.

On 24 March 2021 Riga City Council adopted Decision 502 'On consent to the termination of the ownership of SIA "Rīgas ūdens" in the Limited Company Aqua Riga' and, taking into account the decision of the extraordinary shareholder meeting of the Limited Company Aqua Riga of 12 April 2021, the activities of the company were terminated, with the initiation of its wind-up proceedings (decision of the Register of Enterprises of 20 April 2021). By decision of the Register of Enterprises, Aqua Riga was removed from the Commercial Register on 2 December 2021.

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22. Stock

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Raw materials, basic materials, and auxiliary materials			
Raw materials and auxiliary materials	1,319,955	1,470,389	1,824,433
Chemicals	319,964	394,735	533,788
Replacement parts	422,159	343,949	349,562
Fuel	21,617	16,449	20,195
Other stock	-	-	2139
Accruals for depreciation of stock	(262,787)	(479,460)	(505,320)
	1,820,908	1,746,062	2,224,797

In 2021, stock valued at EUR 3,381,026 (2020: EUR 3,223,608) was used for the main business of the company and included under 'Expenses to achieve income' (Annex 13), 'Sales expenses' (Annex 14), and 'Administrative expenses' (Annex 15).

The depreciation of accrued stock is mainly due to accruals made by assessing the stock turnover rates for specific infrastructure elements and spare parts. In 2021, slow-moving stock was auctioned off for a total amount of EUR 213,635 and stock accruals were reversed by that amount. The amount of stock written off amounted to EUR 3038.

23. Receivables from contracts with clients

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Accounting value of trade receivables	7,319,587	6,795,306	7,015,836
Portfolio accruals for bad and doubtful trade receivables	(534,144)	(563,731)	(477,835)
	6,785,443	6,231,575	6,538,001

Movement of accruals:

	2021	2020
Accruals at the beginning of the year	563,731	477,835
Additional accruals created	-	126,279
Cancelled because recovered	(13,514)	-
Written off as irrecoverable	(16,073)	(40,383)
Accruals at the end of the year	534,144	563,731

Depreciation losses are shown in the income statement under 'Other operating expenses', Annex 17.

Depreciation analysis as of 31 December 2021 for main business (including receivables from affiliated companies)

Trade receivables	Receivables as of 31.12.2021	ECL rate	General accruals	Net receivables
Not overdue	5,596,491	0.27%	15,337	5,581,154
1–30 days overdue	988,462	3.21%	31,691	956,771
31–60 days overdue	116,360	7.09%	8255	108,105
61–90 days overdue	52,196	15.17%	7916	44,280
91–120 days overdue	29,466	22.56%	6648	22,818
121–150 days overdue	24,712	26.55%	6562	18,150
151–180 days overdue	17,654	31.90%	5632	12,022

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181–210 days overdue	22,384	33.81%	7568	14,816
211–240 days overdue	15,183	41.88%	6358	8825
241–270 days overdue	15,040	42.82%	6440	8600
271–300 days overdue	15,830	46.30%	7330	8501
301–330 days overdue	10,378	86.52%	8979	1399
Overdue > 331 days	415,429	100%	415,429	-
TOTAL	7,319,585		534,145	6,785,441

Depreciation analysis as of 31 December 2020 for main business (including receivables from affiliated companies)

Trade receivables	Receivables as of 31.12.2020	ECL rate	General accruals	Net receivables
Not overdue	5,596,958	0.26%	14,359	5,582,600
1–30 days overdue	368,290	3.47%	12,788	355,503
31–60 days overdue	121,259	12.26%	14,866	106,394
61–90 days overdue	99,023	19.23%	19,041	79,982
91–120 days overdue	58,492	26.55%	15,532	42,960
121–150 days overdue	39,649	32.12%	12,736	26,913
151–180 days overdue	20,444	39.36%	8046	12,398
181–210 days overdue	19,514	50.00%	9757	9757
211–240 days overdue	16,958	60.28%	10,222	6736
241–270 days overdue	17,526	74.54%	13,065	4462
271–300 days overdue	18,285	84.07%	15,372	2912
301–320 days overdue	14,509	93.38%	13,548	960
Overdue > 330 days	404,399	100%	404,399	-
TOTAL	6,795,306		563,731	6,231,577

24. Other receivables

	31.12.2021 EUR	31.12.2020 EUR	31.12.2019 EUR
Receivables from sublease agreements	37,622	50,759	63,805
Legal action against Rigens SIA*	-	-	90,303
Long-term part	37,622	50,759	154,108
Legal action against Rigens SIA*	-	90,303	180,604
Other receivables	574,763	591,001	919,782
Receivables from sublease agreements	13,587	13,587	13,587
Accruals for other doubtful receivables	(292,740)	(295,458)	(297,821)
Short-term part	295,610	399,433	816,152
	333,232	450,192	970,260

* The claim against SIA Rigens is for an investment made by the Company in SIA Rigens to create a fixed asset, with its repayment in instalments by 30.06.2021, in accordance with an agreement. It was fully repaid during the reporting year. It generates interest (see Annex 18).

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Movement of accruals:	2021	2020
Accruals at the beginning of the year	295,458	297,821
Cancelled because recovered	(2361)	(1579)
Written off as irrecoverable	(357)	(784)
Accruals at the end of the year	292,740	295,458

Depreciation losses are shown in the income statement under 'Other operating expenses', Annex 17.

Depreciation analysis as of 31 December 2021 for other operations

Other receivables	Receivables as of 31.12.2021	ECL rate	General accruals	Net receivables
Not overdue	227,433	0.15%	330	227,103
1–30 days overdue	3258	4.38%	143	3115
31–60 days overdue	232	5.66%	13	219
61–240 days overdue	82	10.23%	8	74
241–270 days overdue	661	30.78%	204	458
271–300 days overdue	547	31.32%	171	376
301–360 days overdue	542	31.95%	173	369
Overdue > 360 days	291,697	100%	291697	-
TOTAL	524,452		292,739	231,714

Depreciation analysis as of 31 December 2020 for other operations

Other receivables	Receivables as of 31.12.2020	ECL rate	General accruals	Net receivables
Not overdue	186,458	0.19%	354	186,104
1–30 days overdue	48,425	5.88%	2847	45,578
31–60 days overdue	123	16.50%	2	11
61–120 days overdue	1981	20.34%	403	1578
121–150 days overdue	22	26.09%	6	16
151–180 days overdue	59	34.70%	20	38
181–240 days overdue	510	38.53%	197	314
241–360 days overdue	643	52.28%	336	307
Overdue > 360 days	291,293	100%	291293	-
TOTAL	529,404		295,458	233,946

25. Cash and cash equivalents

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Cash in bank accounts. EUR	12,144,022	16,522,653	15,300,798
Cash in the national Treasury account For Cohesion stage 5*	3,639,480	1,796,075	-
	15,783,502	18,318,728	15,300,798

* In accordance with the Company's internal procedures, the funds in the Treasury account are to be used only for the settlement of the transactions for the projects co-financed by the Cohesion Fund in the amount of the eligible costs.

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On 8 December 2020, in accordance with the contract on the implementation of European Union Fund Project No 5.3.1.0/18/I/002 ('Project') signed on 1 August 2018 with the Central Finance and Contracting Agency, SIA 'Rīgas ūdens' received an advance payment of EUR 2,979,817 from the Cohesion Fund, credited to the Project account in the national Treasury. In addition, the Company has transferred funds to the Treasury account for the payment of invoices for the project co-financed by the Cohesion Fund.

26. Short-term assets held for sale:

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Long-term investments held for sale	445,951	437,777	4600
Accruals for long-term investments held for sale (*)	(300,751)	(177,684)	-
	<u>145,200</u>	<u>260,093</u>	<u>4600</u>

The long-term investments held for sale include land and buildings. Information about the movement and depreciation of long-term investments held for sale is as follows:

	2021 EUR	2020 EUR
Book value at the beginning of the period	437,777	4600
Accrued depreciation losses at the beginning of the period	(177,684)	-
Net value at the beginning of the period	<u>260,093</u>	<u>4600</u>
Sold during the period, net	(252,879)	(1987)
Moved from fixed assets to residual value	438,737	435,164
Moved from fixed assets depreciation	(300,751)	(176,980)
Recognised depreciation	-	(704)
Book value at the end of the period	445,951	437,777
Accrued depreciation losses at the end of the period	(300,751)	(177,684)
Net value at the end of the period	<u>145,200</u>	<u>260,093</u>

The effect of the sale of long-term assets held for sale on the separate comprehensive income statement is profits in the amount of EUR 534,352 (2020: EUR 91501).

27. Fixed capital

The registered and fully paid share capital of the Company as of 31 December 2021 was EUR 127,586,633 divided into 127,586,633 shares with a par value of EUR 1 each.

	Number of shares	Value of shares, EUR
31 December 2019	127,578,573	127,578,573
Increase in share capital in 2020	8060	8060
31 December 2020	127,586,633	127,586,633
Changes in share capital in 2021	-	-
31 December 2021	127,586,633	127,586,633

On 22 April 2020, at the meeting of the Company's shareholders, a decision was adopted to increase the Company's share capital by EUR 8060, in accordance with Rīga City Council decision No 237 'On investing the real estate of Rīga City Council in the share capital of SIA "Rīgas ūdens"' of 17 April 2020, paying this amount with a real property: Rīga City Council-owned real estate at Dunalkas iela 6 in Rīga.

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28. Loans from credit institutions

	31.12.2021.	31.12.2020	31.12.2019
	EUR		EUR
Loan from Swedbank AS with a repayment period of 2–5 years *	-	10,416,666	12,916,667
Loan from OP Corporate Bank Plc branch in Latvia with repayment period 2–5 years **	16,222,222	19,111,112	21,555,556
Long-term part	16,222,222	29,527,778	34,472,223
Loan from Swedbank AS — short-term part *	10,416,667	2,500,000	2,500,000
OP Corporate Bank Plc branch in Latvia **	2,666,667	2,444,444	2,444,444
Accrued interest	13,808	16,377	18,256
Short-term part	13,097,142	4,960,821	4,962,700
	29,319,364	34,488,599	39,434,923

* On 27 February 2015, a loan agreement was signed with Swedbank AS for a loan of EUR 25,000,000, to finance investments. According to the agreement, the loan is repayable in equal monthly instalments of EUR 2,500,000 every year, with the remaining amount to be repaid at maturity. The loan maturity date was 1 March 2022, and was extended in February 2022 to 8 April 2022. The loan bears interest at three-month EURIBOR plus 0.698% per annum. A financial security agreement was concluded as a guarantee of the fulfilment of the obligations, with the financial assets in any currency held or to be held in the Company's accounts with Swedbank AS as the security.

After the end of the financial year, on 6 April 2022, the Company entered into a new loan agreement with Swedbank AS for EUR 15,000,000, maturing on 6 April 2027. The purpose of the loan is to refinance existing borrowings and to make investments in the renovation and development of infrastructure for the provision of public water services. The loan is to be repaid based on a schedule starting from the thirteenth month after the conclusion of the loan agreement; the schedule is based on a 10-year amortisation method. The remaining loan amount under the schedule is to be repaid on the maturity date, 6 April 2027. The interest rate on the loan is a three-month EURIBOR that is not less than zero, plus 0.5% per annum.

**On 8 February 2019, a long-term loan agreement was signed with the OP Corporate Bank Plc branch in Latvia. The loan of EUR 24,000,000 was granted to cover obligations under a credit line agreement that expired in 2019, and to finance investments in the renovation and development of the infrastructure for the provision of public water services. The loan repayment deadline is 7 February 2024. The loan must be repaid in equal monthly instalments, starting from 1 January 2020, with EUR 2,444,444 to be repaid every year, and the remaining loan amount to be repaid with the final instalment at the maturity date of the loan. The loan bears interest at three-month EURIBOR plus 0.899% per annum. No security is provided.

29. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities can be shown as follows:

in 2021	Loans	Lease liabilities	Total liabilities arising from financing activities
	EUR	EUR	EUR
Liabilities from financing activities as of 01.01.2021	34,488,599	878,992	35,367,591
Cash flow	(5,166,667)	(219,502)	(5,386,169)
Influence of new lease agreements*	-	20,882	20,882
Estimated interest expenses	262,820	6281	269,101
Interest paid	(265,388)	(6281)	(271,669)
Liabilities from financing activities as of 31.12.2021	29,319,364	680,372	29,999,736
Including:			
Up to one year	13,097,142	190,360	13,309,916

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2 to 5 years	16,222,222	319,615	16,519,423
More than 5 years	-	170,397	170,397
In 2020	Loans	Lease liabilities	Total liabilities arising from financing activities
	EUR	EUR	EUR
Liabilities from financing activities as of 01.01.2020	39,434,923	1,068,639	40,503,562
Cash flow	(4,944,445)	(228,513)	(5,172,958)
Influence of new lease agreements	-	38,866	38,866
Estimated interest expenses	299,363	7458	306,821
Interest paid	(31,242)	(7458)	(308,700)
Liabilities from financing activities as of 31.12.2020	34,488,599	878,992	35,367,591
Including:			
Up to one year	5,377,322	207,066	5,584,388
2 to 5 years	29,111,277	493,028	29,604,306
More than 5 years	-	178,898	178,897

30. Lease agreements

Lease-related costs recorded in the comprehensive income statement:	2021	2020
	EUR	EUR
Interest payments	6281	7458
Short-term lease costs exempt from inclusion in assets and liabilities	7607	-
Total cash flow from lease transactions	2021	2020
	EUR	EUR
Lease principal amount	(219,502)	(228,513)
Percentages	(6281)	(7458)
Total cash flow from lease transactions	(225,783)	(235,971)

Analysis of the maturity of undiscounted lease payments:

	31.12.2021.	31.12.2020
Year 1	205,620	225,783
Year 2	120,579	205,620
Year 3	119,672	120,579
Year 4	93,055	119,672
Year 5	10,344	93,055
More than 5 years	157,518	167,862
	706,788	932,571

The Company has recognised lease liabilities over a total of 29 lease contracts, including:

- 4 lease agreements with durations remaining of 1 to 6 years; discount rate applied: 0.698%;
- 20 land lease agreements with durations remaining from 1 to 40 years; discount rate applied: 0.698%;
- 5 vehicle lease agreements with durations remaining of 1 to 4 years; discount rate applied: 0.698%;

The Company, acting as a lessor, entered into 2 sublease agreements for its leased assets. Future undiscounted lease fees receivable under lease agreements signed as of 31.12.2021:

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	31.12.2021.	31.12.2020
Year 1	13,587	13,587
Year 2	13,587	13,587
Year 3	13,587	13,587
Year 4	11,321	13,587
Year 5	-	11,322
More than 5 years	-	-
	52,082	65,670

31. Lease liabilities

	31.12.2021	31.12.2020	31.12.2019
	EUR	EUR	EUR
Lease liabilities, incl.			
lease of premises and land	450,420	567,739	697,932
car rental	19,337	88,312	136,372
Long-term part	469,757	656,051	834,304
Lease liabilities, incl.			
lease of premises and land	129,774	135,064	132,656
car rental	80,841	87,877	101,679
Short-term part	210,615	222,941	234,335
	680,372	878,992	1,068,639

32. Deferred income

	Balance	Received	Included as	Balance
	31.12.2021.	in 2021	income in 2021	31.12.2020
			(Annex 16)	
Co-financing from Cohesion Fund*	69,588,300	-	(2,976,059)	72,564,359
Value of fixed assets received from Latvian parties without compensation**	6,752,398	-	(265,311)	7,017,709
Fixed assets received from abroad without compensation	29,234	-	(30,419)	59,653
Other deferred income***	7,581,234	550,197	(169,152)	7,200,189
	83,951,166	550,197	(3,440,941)	86,841,910
Including:				
- short-term part	3,455,838			3,433,720
- long-term part	80,495,328			83,408,190

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Comparative information for the previous year:

	Balance as of 31.12.2020	Received In 2020	Included as income in 2020 (Annex 16)	Balance as of 31.12.2019
Co-financing from Cohesion Fund*	72,564,359	-	(2,977,091)	75,541,450
Value of fixed assets received from Latvian parties without compensation**	7,017,709	26,754	(264,805)	7,255,760
Fixed assets received from abroad without compensation	59,653	-	(31,125)	90,778
Other deferred income***	7,200,189	2,601,422	(134,168)	4,732,935
	86,841,910	2,628,176	(3,407,189)	87,620,923

Including:

- short-term part	3,433,720	3,381,065
- long-term part	83,408,190	84,239,858

* Information on Cohesion Fund funding received:

Purpose of the funding	Funding period	Amount received	Year of meeting the conditions	Balance sheet amount 31.12.2021
1) Cohesion Fund co-financing round 2 (ISPA)	2004–2006	20,702,530	2012	11,209,688
2) Cohesion Fund co-financing round 3	2007–2010	58,838,450	2015	40,805,561
3) Cohesion Fund co-financing round 4	2011–2016	20,620,150	2023	17,573,049
				69,588,298

On 15 March 2021, civil agreement No was signed with the Ministry of Environmental Protection and Regional Development and Riga City Council for the implementation of the large project 'Water management system development in Riga, stage 4', No 3DP/3.5.1.1.0/10/IPIA/VIDM/027 (CCI2012LV161PR001), extending the deadline of the objectives and results set in the project to 15 March 2023. The management of the Company believes that there are no significant risks of default on contracts in relation to the funding received.

** Water and/or sewer connections built by Latvian parties (households) accepted free of charge.

*** Other deferred income represents payments for connecting to the Company's water and/or sewer lines that were reclassified from advance payments. This connection service fee is included as deferred income and is gradually transferred to income in the period in which the service is provided, i.e. over the useful life of the fixed assets constructed by the Company to provide the service.

33. Advance payments from customers

	31.12.2021.	31.12.2020	31.12.2019
	EUR	EUR	EUR
Advance payment received from the Cohesion Fund*	8,624,503	2,979,818	-
Long-term part of advance payments received	8,624,503	2,979,818	-
Other advance payments received **	1,945,434	897,555	3,291,442
Short-term part of advance payments received	1,945,434	897,555	3,291,442

* In accordance with the 1 August 2018 agreement signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/18/I/002, 'Rīgas ūdens' received an advance payment from the Cohesion Fund.

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The total project cost is EUR 26,006,448, including co-financing from the Cohesion Fund, in the amount of EUR 9,932,725.

** Advance payments received from clients are contractual obligations with clients and consist mainly of advance payments for water and sewer connection services. The Company expects to provide the services within one year and classifies the advance payments received as short-term. After the connections are built, the service advance payments received are deferred and allocated to income gradually over the useful life of the assets constructed by the Company and necessary to provide the service.

Consequently, contractual obligations that had been included in the balance sheet at the beginning of the year, on 1 January 2021, were reclassified as deferred income in the current year, in the amount of EUR 550,197 (2020: EUR 2,601,422) and were included as income in the amount of EUR 166,547 (2020: EUR 134,168).

34. Other payables

	31.12.2021. EUR	31.12.2020 EUR	31.12.2019 EUR
Salaries	636,598	612,050	555,731
Other payables	38,084	53,102	78,137
	674,682	665,152	633,868

35. Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR	31.12.2019 EUR
Accrued liabilities for pipeline repairs invoiced after the end of the year	1,384,140	713,808	955,814
Accrued liabilities for other production costs	160,497	298,434	211,717
Accrued liabilities for real estate maintenance payments	64,190	426,149	550,084
Accrued cost for unused holidays	692,454	676,645	569,007
Accrued liabilities for estimated employee and management costs	772,428	764,131	1,075,026
Accrued MSSIC for expected employee and management	339,434	337,364	390,949
Accrued liabilities for services received for creating long-term investments	5,007,583	1,216,912	1,970,519
Other accrued liabilities	53,596	49,553	83,159
	8,474,322	4,482,996	5,806,275

Including:

Financial liabilities	8,134,888	4,145,632	5,415,326
Non-financial liabilities	339,434	337,364	390,949

36. Accruals

	31.12.2021 EUR	31.12.2020 EUR	31.12.2019 EUR
Accruals for cleaning up pipeline repair sites	1,456,675	603,517	979,361
Accruals for the cost of industrial waste removal	709,519	403,651	267,933
Accruals for litigation and foreseeable liabilities for damage to third parties caused by technical emergencies	192,921	277,446	219,608
	2,359,115	1,284,614	1,466,902

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Information about accruals movements is as follows:

	Accruals for cleaning up pipeline repair sites	Accruals for the cost of industrial waste removal	Accruals for litigation for damage to third parties caused by technical emergencies	TOTAL
	EUR	EUR	EUR	EUR
31.12.2018	1,732,970	139,158	59,003	1,931,131
Used	(1,254,165)	-	(21,504)	(1,275,669)
Cancelled	(478,805)	-	(39,056)	(517,861)
Newly created	979,361	128,775	221,165	1,329,301
31.12.2019	979,361	267,933	219,608	1,466,902
Used	(550,757)	-	(5818)	(556,575)
Cancelled	(330,597)	-	(1749)	(332,346)
Newly created	505,510	135,718	65,405	706,633
31.12.2020	603,517	403,651	277,446	1,284,614
Used	(406,271)	-	(5949)	(412,220)
Cancelled	(3725)	-	(78,629)	(82,354)
Newly created	1,263,154	305,868	53	1,569,075
31.12.2021	1,456,675	709,519	192,921	2,359,115

The exact estimated time to settle the liabilities is not known, but it is expected that most of them will be covered within one year.

In relation to the 'Accruals for the cost of industrial waste (sludge) removal' item, there was an increase in the accruals in previous years, and the liabilities were essentially not settled within one year as originally foreseen. This is due to the optimisation of the cost of sludge disposal. However, the Company includes accruals in short-term liabilities because a longer period for the accruals is not reliably foreseeable.

Accruals for cleaning up pipeline repair sites (asphalting)

The amount of the accruals for restoring the street surface after pipeline repairs is based on the number of sites that require such restoration, using the average cost per site. But at the time of the estimates, there are a number of unknown factors that may have a significant impact on the actual cost of street surface restoration

37. Taxes and mandatory state social security contributions

	Arrears as of 31.12.2021. EUR	Calculated for 2021 EUR	Paid in 2021 EUR	Arrears as of 31.12.2020. EUR
Value-added tax	610,725	8,668,659	(8,664,240)	606,306
Real estate tax	-	209,705	(209,705)	-
Natural resource tax	251,191	1,099,900	(1,118,987)	270,278
MSSSC	379,780	4,791,746	(4,817,174)	405,208
Business risk fee	267	3240	(3245)	272
Personal income tax	204,697	2,502,840	(2,503,850)	205,707
	1,446,660	17,276,090	(17,317,201)	1,487,771

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38. FAIR VALUE AND FINANCIAL RISKS OF FINANCIAL INSTRUMENTS

(a) Fair value

As disclosed in Note 10 'Determination of fair value' in the annex to the financial statement, the Company's management believes that the fair value of cash and cash equivalents of level 1 of the fair value hierarchy and short-term financial assets and financial liabilities included in level 3 of the fair value hierarchy are consistent with their initial nominal values and book values at any future date, because the collection and payment periods of these assets and liabilities are less than 6 months. The exception is liabilities to suppliers for construction services received, which include a warranty period, and for which payment is due after the warranty period. The Company's management believes that, given the nature of the transactions, a risk-free rate close to zero should be used to determine fair value.

The Company has no financial assets and liabilities that are included at level 2.

The Company's borrowings are at variable interest rates. The Company's management regularly negotiates with the credit institution on changes in the fixed components of the interest rates. The interest rates were last adjusted to current market interest rates in 2019. The Company's management believes that the fixed rate component has not changed significantly on the market since the last contractual amendments and, therefore, in the management's opinion, the recalculated fair value of the borrowings at the end of the year is not significantly different from depreciated prime cost.

In respect of lease liabilities, the Company's management believes that the discount rate to be applied is very low given the nature of the parties in these transactions. The rates used to discount the lease liabilities are shown in Annex 30. The effect of possible changes in market rates on the fair value of the lease liability is not significant. As a result, as of 31 December 2021, the fair value of these balance sheet items is equal to their book value.

Differences in the book values and fair values of financial assets, accrued income and financial liabilities are presented below:

31 December 2021:

	Book value	Fair value
Trade receivables	6,785,443	6,785,443
Other receivables	333,232	333,232
Cash and its equivalents	15,783,502	15,783,502
Total financial assets	22,902,177	22,902,177
Loans	29,319,364	29,319,364
Lease liabilities	680,372	680,372
Trade and other payables	4,321,260	4,321,260
Other financial liabilities	8,809,570	8,809,570
Total liabilities	43,130,566	43,130,566

31 December 2020:

	Book value	Fair value
Trade and other receivables	6,231,575	6,231,575
Other receivables	450,192	450,192
Cash and its equivalents	18,318,728	18,318,728
Total assets	25,000,495	25,000,495
Loans	34,488,599	34,488,599
Lease liabilities	878,992	878,992
Trade and other payables	2,402,471	2,402,471
Other financial liabilities	4,810,784	4,810,784
Total liabilities	42,580,846	42,580,846

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The table below shows the valuation techniques used to measure level 3 fair value, as well as key unobservable data:

Type	Evaluation method	Key unobservable data
Trade and other receivables	Discounted cash flows	Discount rate
Borrowings and lease liabilities	Discounted cash flows	Discount rates
Other financial liabilities	Discounted cash flows	Discount rates

There were no changes in the fair value hierarchy levels in 2021 and 2020.

(b) Credit risk

All of the Company's funds are held in a number of third-party credit institutions registered in the Republic of Latvia and in the national Treasury. The concentration of the Company's credit risk related to its clients and other financial assets has to do with payments receivable that are not considered by the Company's management to be high credit risk assets. As of 31 December 2021, 10 biggest receivables in Latvia accounted for 46% of the total value of receivables (31.12.2020: 39%).

The maximum credit risk related to receivables and other financial assets is reflected in their book values.

All of the Company's receivables and other financial assets are located in the Republic of Latvia.

Based on an analysis of the historical payment discipline and the credit risk of its clients, the management believes that the amounts whose value has not decreased but are more than 30 days overdue are still recoverable in full. For changes in the accruals for depreciation losses on receivables and other receivables during the year, see notes 23 and 24 in the annex to the financial statement.

As of 31 December 2021 and 31 December 2020, the Company has not issued any financial guarantees.

(c) Liquidity risk

The Company follows the principle of prudence in liquidity risk management and maintains a sufficient cash balance accordingly. Cash flow forecasts are updated regularly during the year to enable cash flow planning, and other measures are taken to provide the necessary level of liquidity. The Company's liquidity ratio at the end of the reporting year was 0.73 (31.12.2020: 1.39), and the quick liquidity ratio was 0.68 (31.12.2020: 1.30).

The liquidity ratios decreased mainly due to the expiry of a long-term loan from Swedbank AS in 2022, meaning that the remaining amount of the loan was shown as a short-term liability as of 31 December 2021. See Annex 28 to the financial statement to see the long-term loan agreement with Swedbank AS entered into after the balance sheet date for an amount of EUR 15,000,000.

For information on undiscounted contractual cash flows payable (liquidity analysis), see the tables below.

The remaining contractual maturities for financial liabilities, including estimated interest payments and excluding offsets, at the end of the reporting period are as follows:

<u>31 December 2021</u>	Book value	Contract cash flows	3 months or less	3–12 months	Up to 5 years	More than 5 years
Non-derived financial obligations						
Loans	29,319,364	29,425,127	11,130,451	2,036,431	16,258,245	-
Lease liabilities	680,372	706,788	51,405	154,215	343,650	157,518
Trade payables	4,321,260	4,321,260	2,445,933	224,141	1,651,186	-
Other financial liabilities	8,809,570	8,809,570	7,167,937	1,641,633	-	-
	43,130,566	43,262,745	20,795,726	4,056,420	18,253,081	157,518

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<u>31 December 2020</u>	Book value	Contract cash flows	3 months or less	3–12 months	Up to 5 years	More than 5 years
Non-derived financial obligations						
Loans	34,488,599	34,860,423	1,361,818	4,073,477	29,425,128	-
Lease liabilities	878,992	932,571	56,446	169,337	538,926	167,862
Trade payables	2,402,471	2,402,471	1,883,901	268,686	249,884	-
Other financial liabilities	4,810,784	4,810,784	3,153,875	1,656,909	-	-
	42,580,846	43,006,249	6,456,040	6,168,409	30,213,938	167,862

The cash flows included in the maturity analysis are not expected to occur significantly earlier or in a significantly different amount.

(d) interest rate risk

The Company is exposed to interest rate risk mainly in relation to its long-term borrowings, as the interest rate on the Company's borrowings has a variable component. A 0.1 percentage point change in interest rates would have a total impact on the Company's 2021 profit or loss and comprehensive income statements of EUR 32,104 (2020: EUR 37,352).

39. Staff costs and number of employees

	2021 EUR	2020 EUR
Remuneration for work	14,182,247	14,168,179
Mandatory state social insurance contributions	3,295,296	3,361,801
	17,477,543	17,529,980
<i>Including:</i>		
Remuneration for work included in:		
- manufacture cost of products sold	10,689,600	10,707,296
- sales costs	1,183,600	1,174,233
- administrative costs	2,309,047	2,286,650
Mandatory state social insurance contributions included in:		
- manufacture cost of products sold	2,476,612	2,533,057
- sales costs	276,644	280,284
- administrative costs	542,040	548,460
	17,477,543	17,529,980
	2021 EUR	2020 EUR
Remuneration of management board members included in staff costs:		
- remuneration for work	223,418	268,312
- mandatory state social insurance contributions	52,771	64,753
	276,189	333,065
Remuneration of supervisory board members included in staff costs:		
- remuneration for work	99,029	20,340
- mandatory state social insurance contributions	23,399	4900
	122,428	25,240

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Average number of persons employed in the Company during the reporting period:

- supervisory board members	3	1
- management board members	3	4
- other employees	745	761
	<u>751</u>	<u>766</u>

40. Sworn auditor firm remuneration

	2021 EUR	2020 EUR
Annual accounts audit	27,450	19,000
	<u>27,450</u>	<u>19,000</u>

41. Contingent liabilities

In certain cases, objective circumstances make it impossible to observe the minimum distances between utility lines established in laws and regulations during the construction of water and sewer pipelines, the Company issues a guarantee to the owners of utility lines for compensation in cases where other utility lines are damaged. According to the management's assessment, the maximum amount expected to be paid for such contingent liabilities is not significant.

42. Amount of contractual undertakings to implement projects

By the end of the financial year, contracts had been concluded for the further acquisition and development of fixed assets which are not shown as liabilities in the balance sheet. Under these agreements, the Company undertook to further acquire and construct fixed assets for EUR 24,668 thousand (2020: EUR 19,394 thousand).

This includes the agreement signed on 18 March 2021 with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/20/1/001 'Water management system in Rīga, stage 6'. The total project cost is EUR 5,996,430, including co-financing from the Cohesion Fund, in the amount of EUR 1,620,000. The project includes the construction of 7.70 km of new sewer lines and five sewer pumping stations in Ziepniekkalns, Imanta, and Teika, as well as the construction of 2.70 km of new outdoor centralised water supply lines and the reconstruction of 2.00 km of existing ones. The project will connect 900 city residents to the centralised sewer system. Project activities will run continue until 31 December 2023.

43. Transactions with affiliated parties

Rīga City Council companies and institutions that are affiliated parties

In 2021, the Company invoiced other Rīga City Council companies for services provided:

- the residential building management company, for the amount of EUR 18,997 thousand (2020: EUR 19,268 thousand);
- other companies and institutions, for the amount of EUR 1981 thousand (2020: EUR 2122 thousand).

As of 31 December 2021, the Company's receivables from the municipality's companies and institutions was EUR 2816 thousand, including receivables from the residential building management company, amounting to EUR 2600 thousand. (31.12.2020: EUR 2208 thousand, including EUR 1983 thousand owed by the building management company).

In 2021, the Company paid invoices for services received from Rīga municipal companies and institutions for a total amount of EUR 737 thousand (incl. VAT) (2020: EUR 656 thousand).

As of 31 December 2021, the Company's debts to municipal companies and institutions amounted to EUR 139 thousand. (31.12.2020: EUR 90 thousand).

SIA Aqua Rīga subsidiary/affiliated company

In 2021, the Company invoiced SIA Aqua Rīga for services provided, for a total amount of EUR 64 (2020: EUR 210).

As of 31 December 2021, the Company's receivables amounted to EUR 0.00 (incl. VAT) (2020: EUR 0.00).

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44. Distribution of profits proposed by the management board

As stated in the management report included in these annual accounts, Section 2 of Riga City Council Decision 691 'On dividends in companies in which Riga City Council has a decisive influence' of 16 June 2021 stipulates that the minimum foreseeable profit share that may be paid out in dividends is 40% of the company's profit for the reporting year, unless otherwise stated in the strategy. The management board of the Company proposes setting a separate profit share payable as dividends: namely, the proposal is not to set a dividend rate for the Company.

45. Subsequent events

See Annex 28 to the financial statement for the long-term loan agreement of EUR 15 million entered into after the end of the year.

On 29 December 2021, the Company submitted a draft document setting the fee for the water services to the Public Utilities Commission. The draft document for the fees has been assessed by the Public Utilities Commission, and it is expected that the new fees for the water management services could take effect 1 June 2022, with the following rates:

Water management service fees since 1 June 2022:

Water supply services fee	EUR 1.02 per m ³
Water production services fee	EUR 0.33 per m ³
Sewer services fee	EUR 0.91 per m ³
Wastewater treatment services fee	EUR 0.42 per m ³

At the meeting of the management board of the Company held on 13 April 2022, the draft report to the supervisory board of SIA 'Rīgas ūdens' regarding the prior approval of the supervisory board to conclude an agreement with the European Investment Bank for a long-term loan of EUR 60,000,000 was considered and submitted to the supervisory board of the Company. It is expected that in the first half of 2022, an agreement will be signed with the European Investment Bank to raise a long-term loan of EUR 60 million.

The Company engages in no significant transactions with companies in Russia, Belarus, or Ukraine that could have a significant adverse effect on the Company's operations. The Company's financial results could be affected by a general deterioration in the economic situation.

During the period since the last day of the reporting year, no events that would considerably influence the financial status of the company occurred as of 31 December 2021, or that would require additional explanations in annexes to the financial statement.

Krišjānis Krūmiņš
Board chairman

Normunds Zvaunis
Board member

Sandijs Māliņš
Head of Finance Department

Rīga, 28 April 2022

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP