

Freeport of Riga Authority

*Annual Report for 2019
prepared in accordance with
the Annual Reports and Consolidated Annual Reports Law of
Latvia and the Independent Auditors' Report on the financial
statements*

Riga, 2020

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FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Riga, Latvia
ANNUAL REPORT FOR 2019
GENERAL INFORMATION

Name	Freeport of Riga Authority
Legal status	Derived legal entity governed by the public law operating according to the Regulations of the Freeport of Riga Authority (Cabinet of Ministers of the Republic of Latvia Regulation of 29 May 2012 No. 378 'The Regulations of the Freeport of Riga Authority' which was in force until 1 February 2020 when the Cabinet of Ministers of the Republic of Latvia Regulation of 28 January 2020 No. 61 'The Regulations of the Freeport of Riga Authority' entered into force)
Tax payer's registration number, place and date of registration	No. 90000512408 Riga, 9 July 1998
Registered and office address	Kalpaka bulvāris 12 Riga, LV-1010, Latvia
Reporting year	1 January 2019 – 31 December 2019
Previous reporting year	1 January 2018 – 31 December 2018
Auditors and address	AS KPMG Baltics Vesetas iela 7, Riga Latvia, LV-1013 Licence No. 55 Inga Lipsane Latvian Certified Auditor Certificate No. 112

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Riga, Latvia
ANNUAL REPORT FOR 2019
BOARD

Members of the Board as at the date of signing of the financial statements:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Viesturs Zeps	Chairman of the Board, Representative of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia	26 February 2019, Chairman of the Board from 20 February 2020
Artis Grinbergs	Deputy Chairman of the Board, Representative of the Ministry of Economics of the Republic of Latvia	5 May 2020, Deputy Chairman of the Board from 29 May 2020
Baiba Bāne	Member of the Board, Representative of the Ministry of Finance of the Republic of Latvia	02.07.2013
Andris Ozoliņš	Member of the Board, Representative of the Ministry of Transport of the Republic of Latvia	04.02.2020

According to the 'Law on Ports' until 13 December 2019 the Board of the Port consisted of 8 Members of the Board – four representatives of Riga City Council, who are appointed and released by Riga City Council Resolution, and four representatives nominated by the Minister of Economics, Minister of Finance, Minister of Transport and Minister of Environmental Protection and Regional Development, who are appointed and dismissed by the Cabinet of Ministers.

On 14 December 2019, amendments to the 'Law on Ports' were introduced, which states – the Board of the Freeport of Riga consists of four Members of the Board – representatives nominated by the Minister of Economics, Minister of Finance, Minister of Transport and Minister of Environmental Protection and Regional Development, who are appointed and dismissed by the Cabinet of Ministers.

Representative of the Ministry of Transport on the Board:

- Artis Stucka – from 10 March 2016 (Cabinet Order of 10 March 2016 No. 177), appointed Deputy Chairman of the Board on 31 March 2016 (Decision No. 44 of the Board of the Freeport of Riga made on 31 March 2016), released from the position of the Member of the Board on 26 February 2019 (Cabinet Order of 26 February 2019 No. 77);
- Džineta Innusa – from 26 February 2019 (Cabinet Order of 26 February 2019 No. 77), released from the position of the Member of the Board on 4 February 2020 (Cabinet Order of 4 February 2020 No. 45);
- Andris Ozoliņš – from 4 February 2020 (Cabinet Order of 4 February 2020 No. 45).

Representative of the Ministry of Finance on the Board:

- Baiba Bāne – from 2 July 2013 (Cabinet Order of 2 July 2013 No. 284).

Representative of the Ministry of Economics on the Board:

- Jānis Baiks – from 10 March 2016 (Cabinet Order of 10 March 2016 No. 174), released from the position of the Member of the Board on 26 February 2019 (Cabinet Order of 26 February 2019 No. 87);
- Pāvels Rebenoks – from 26 February 2019 (Cabinet Order of 26 February 2019 No. 87), appointed Deputy Chairman of the Board on 20 February 2020 (Decision No. 12 of the Board of the Freeport of Riga made on 20 February 2020), released from the position of the Member of the Board on 5 May 2020 (Cabinet Order of 5 May 2020 No. 252);
- Artis Grinbergs – from 5 May 2020 (Cabinet Order of 5 May 2020 No. 252), appointed Deputy Chairman of the Board on 29 May 2020 (Decision No. 57 of the Board of the Freeport of Riga made on 29 May 2020).

Representative of the Ministry of Environmental Protection and Regional Development on the Board:

- Baiba Broka – from 1 December 2014 (Cabinet Order of 1 December 2014 No. 704), released from the position of the Member of the Board on 26 February 2019 (Cabinet Order of 26 February 2019 No. 89);
- Viesturs Zeps – from 26 February 2019 (Cabinet Order of 26 February 2019 No. 89), appointed Chairman of the Board on 20 February 2020 (Decision No. 11 of the Board of the Freeport of Riga made on 20 February 2020).

Representatives of Riga City Council on the Board:

- Andris Ameriks – from 17 April 2001 (17.04.2001 Decision of Riga City Council No. 28 and 25.11.2003 Decision No. 2679), reappointed on 19 April 2005; (19.04.2005 Decision of Riga City Council No. 13), reappointed on 15 April 2008; (15.04.2008 Decision of Riga City Council No. 3560), reappointed on 2 July 2009; (01.07.2009 Decision of Riga City Council No. 5 and 23.11.2010 Decision No. 2245), reappointed on 4 July 2012 (12.06.2012 Decision of Riga City Council No. 4792), released from the position of the Member of the Board on 31 July 2019 (20.08.2019 Decision of Riga City Council No. 2476);
- Mihails Kameņeckis – from 1 March 2007 (27.02.2007 Decision of Riga City Council No. 2129), reappointed on 2 July 2009 (01.07.2009 Decision of Riga City Council No. 5), reappointed on 4 July 2012 (12.06.2012 Decision of Riga City Council No. 4792), released from the position of the Member of the Board on 13 December 2019 (amendments to the 'Law on Ports' of 12 December 2019);
- Nils Ušakovs – from 27 November 2010 (23.11.2010 Decision of Riga City Council No. 2245), released from the position of the Member of the Board on 31 July 2019 (20.08.2019 Decision of Riga City Council No. 2476);
- Vadims Baraņņiks – from 3 December 2014 (03.12.2014 Decision of Riga City Council No. 1918), released from the position of the Member of the Board on 19 November 2019 (19.11.2019 Decision of Riga City Council No. 2715);
- Oļegs Burovs – from 22 August 2019 (20.08.2019 Decision of Riga City Council No. 2476), appointed Chairman of the Board on 5 September 2019 (05.09.2019 Decision No. 69 of the Board of the Freeport of Riga), released from the position of the Member of the Board on 13 December 2019 (amendments to the 'Law on Ports' of 12 December 2019);
- Sandris Bergmanis – from 22 August 2019 (20.08.2019 Decision of Riga City Council No. 2476), released from the position of the Member of the Board on 13 December 2019 (amendments to the 'Law on Ports' of 12 December 2019);
- Oskars Putniņš – from 3 December 2019 (29.11.2019 Decision of Riga City Council No. 2717), released from the position of the Member of the Board on 13 December 2019 (amendments to the 'Law on Ports' of 12 December 2019).

1. Management of the Freeport of Riga

The Freeport of Riga Authority (hereinafter – the Authority) is a derived legal entity governed by public law, which was established by Riga City Council as directed by the 'Law on Ports' of the Republic of Latvia and which received autonomous competence under the law.

The Freeport of Riga Authority is subject to public and private law which, according to the 'Law on Ports', 'Law on the Freeport of Riga' and the regulations of the Freeport of Riga Authority, carries out the administration of the Freeport of Riga. According to Decree No. 115 from 2 August 2001 of the Ministry of Transport 'On Defining the Areas of Maintenance for Technical Navigation Equipment and Transfer of Technical Navigation Equipment to the Possession of Port Authorities', the Freeport of Riga Authority provides maintenance of floating and coastal technical navigation equipment in the Riga district, i.e., across the entire coastal area of the Gulf of Riga from Ainaži to Kolka and in the part of the Baltic Sea area up to the Irbe Lighthouse.

According to Cabinet of Ministers Regulations No. 690 of 1 September 2006 'On Determining the Boundaries of the Freeport of Riga', the total area of the Freeport of Riga is 6,348 ha, including 1,962 ha of land, 1,271 ha of inland waters and 3,115 ha of outer roads.

The Freeport of Riga Authority is a legal entity which consists of the Freeport Board as the supreme decision-making body and the administration headed by the Chief Executive Officer. The Authority, as the managing body, carries out the management of the Freeport in accordance with resolutions of the Board and the regulations of the Freeport of Riga Authority.

The management activities are organized by the Authority to ensure comprehensive development and improvement of the Freeport of Riga and to meet customer demand to increase cargo turnover. The Freeport of Riga Authority is compliant with the International Ship and Port Facility Security (ISPS) Code. The Freeport of Riga Authority has received the certificate issued by the international classification company BVQI for compliance of the quality management system with the requirements of the international standard ISO 9001, ensuring the management and operation of the Freeport of Riga and the operational management of the ship traffic in the port in accordance with the requirements of the standard. The Environmental Management System of the Freeport of Riga Authority is in full compliance with the requirements of the international standard ISO 14 001 as confirmed by the certificate issued by the International classification company BVQI.

Information on financial risks and their management is described in Note 24.

2. Cargo volumes, number of vessels

In 2019, the Freeport of Riga handled 32.8 million tons of various cargo, which is 3.6 million tons or 10.1% less than in 2018 (36.4 million tons). Compared to 2018, turnover decreased across all major cargo segments, with a transshipment of 20.9 million tons dry bulk cargoes (-12.0%), 8.1 million tons general cargoes (- 6.1%) and 3.8 million tons liquid cargoes (- 7.1%). The decrease in the turnover of cargo is by large related to a significantly smaller transit flow of energy resources (particularly coal), which historically formed the largest share of the port cargo portfolio. During the last five years, due to the decrease in the volume of Russian cargo transit, the total share of coal and oil has decreased by 20 percentage points, and in 2019 these cargoes represented only 43% of cargo turnover at the port. At the same time, the total volume of other cargo is growing steadily and reached the highest annual result -18.6 million tons in 2019.

Among the largest types of cargo in 2019, an increase was recorded for grain dry bulk cargoes (2.1 million tons; +33.0%), wood pellets (1.9 million tons; +35.2%), wood chips (1.1 million tons; +20.4%), ore (0.6 million tons; +29.9%), splinter (0.6 million tons; +1.5%) and ro-ro cargoes (0.5 million tons; +2.7%). The turnover of container cargoes remained at the level of 2018 (4.9 million tons; -1.0%), while that of coal decreased (10.4 million tons; -27.2%), as did chemical dry bulk cargoes (1.7 million tons; -17.6%), general cargo of timber (2.3 million tons; -13.2%) and oil (3.8 million tons; -7.2%). Although the growth in forestry products, agricultural products and container turnover has not yet been able to fully compensate the decreasing volume of coal, oil and chemical dry bulk cargoes, in the long term it will continue to be the basis for a stable cargo flow at the Port of Riga.

Riga is the largest port in Latvia – in 2019 Riga handled 53% of the total volume of cargo in the Latvian sea ports. In 2019, Riga remained the second largest port of the Baltic countries (behind Klaipėda), handling 22% of the total cargo volume of the Baltic countries (2018: 24%). In 2019 among the ports of the eastern shore of the Baltic sea, Riga ranked number five with a 7.5% market share (2018: 8.5%).

During 2019, the Freeport of Riga serviced 3,489 trade vessels with the total gross tonnage of 45.7 million GT. Compared to 2018, the number of vessels entering the Port decreased by 5.7% or 209 vessels, the total gross tonnage of vessels decreased by 4.8% (2018: 48.0 million GT). A smaller number of ships entering was registered in 2019 for cargo ships (-6.1% or -198 ships), which are linked to a smaller flow of cargo shipped through the port, and passenger ships (- 2.4%) due to a slight decrease in the number of ferry (-6 ferries) and cruise ships (-5 ships) entering the Port of Riga. In 2019, cargo vessels represented 87% of all vessels entering the Port of Riga.

In 2019, 868.7 thousand passengers were served at the Port of Riga, which is nearly as good as the achievement in 2018 (-0.2% or -2.2 thousand passengers). 92% of all passengers were serviced in ferry traffic on route Riga-Stockholm where the number of passengers in 2019 increased by 0.4% and amounted to 799.4 thousand passengers.

In 2019, 81 cruise ship entered the port (-5 ships compared to 2018), bringing 69.2 thousand cruise passengers (-7.5% or -5.6 thousand passengers) to Riga. Although the number of cruise ships is not considerably smaller, a smaller number of very large cruise ships entered the port, which explains the decrease in the number of cruise passengers. In 2019, tourists from 121 country arrived at Riga on cruise ships.

During 2019, cargo handling services were provided at the Port by 33 stevedore companies.

3. Investments in infrastructure and infrastructure maintenance

During 2019, investments in the Port's infrastructure amounted to EUR 21,943,563 including EUR 21,129,565 in berths, breakwaters, embankment reinforcements, EUR 17,686 in the railway infrastructure, EUR 43,280 in the infrastructure development on Krievu sala, EUR 753,032 in other infrastructure objects (2018: total EUR 42,778,971, including EUR 2,304,302 in shipping routes, EUR 1,226,453 in breakwaters, berths, embankment reinforcements, EUR 66,400 in railway infrastructure, EUR 38,928,152 in the infrastructure development on Krievu sala, EUR 253,664 in other infrastructure objects).

In 2019, EUR 13,663 were invested in technological equipment (2018: EUR 69,600).

The main investment projects in 2019 are:

- The reconstruction of coastal reinforcement of the main ship access channel (FG dam) was continued. Reconstruction works were completed in February 2020.
- In the territory of Krievu sala, an additional hard surface (pavement) has been built in the dry bulk storage area of SIA RIGA COAL TERMINAL.
- Berths PM-20 and PM-21 purchased from SIA STREK were added to fixed assets.
- Construction of amelioration systems in Kundziņsala was continued.
- During 2019, the infrastructure of the Freeport of Riga was maintained on a regular basis, current repairs were made in piers, embankment reinforcements, unleased berths, dams and roads.

The activities completed and planned for 2020 under the project 'Flyover from Tvaika Street to Kundziņsala':

- On 2 June 2016, the Board of Freeport of Riga made the decision to use the funds of the EU Cohesion Fund for the new project 'Flyover from Tvaika Street to Kundziņsala'. Given the shift in priorities in the Port development strategic plans this project was implemented instead of 'Reconstruction of the East and West pier'.
- It is planned as part of the project to build a new flyover to Kundziņsala which will allow simultaneous crossing of the current railway access roads and Sarkandaugava channel which will translate into lower time consumption and vehicle maintenance costs for traffic participants.
- On 23 April 2018 the Freeport of Riga Authority and the Central Finance and Contracting Agency concluded an agreement on the implementation of the EU funded project 'Flyover from Tvaika Street to Kundziņsala'.
- The total expenditure of the project is planned to be EUR 40.4 million, of which eligible expenses are EUR 33.3 million, funding from the EU Cohesion Fund accounts for 74.11% of eligible expenses, not exceeding EUR 24.7 million. In the implementation of the project, the Authority plans to attract bank financing of EUR 15 million.
- As a result of an open tender, on 26 June 2017 the Freeport of Riga Authority concluded an agreement with the partnership Vektors TB for the development of construction design project 'Flyover from Tvaika Street to Kundziņsala'.
- On 25 July 2018, in accordance with the decision of the Board of the Freeport of Riga, it was decided to terminate the agreement concluded on 26 June 2017 for the development of construction project 'Flyover from Tvaika Street to Kundziņsala', as well as to determine that the developed minimum construction project will be used for further implementation of the project 'Flyover from Tvaika Street to Kundziņsala'.
- On 16 August 2018, a negotiation procedure was announced for the implementation of the project 'Flyover from Tvaika Street to Kundziņsala'. On 29 November 2018, an announcement on the termination of the procurement procedure and the closing of the tender without a result was published.
- On 7 March 2019, an open tender 'Construction of the Flyover from Tvaika Street to Kundziņsala' was repeatedly announced. As a result of the open tender procurement procedure, on 16 December 2019, the Authority concluded a contract for the construction of the flyover from Tvaika Street to Kundziņsala with the contractor selected within the open tender for the development of the construction project, construction and field supervision works. The total contract price of the construction contract is EUR 39.77 million. According to the terms of the construction contract, the construction project of the flyover from Tvaika Street to Kundziņsala will be developed by 16 December 2020 and the construction works will be performed by 13 November 2023.
- On 23 December 2019, the Authority received an advance payment of EUR 9,349,816 of the funding from the EU Cohesion Fund.

On 26 May 2016, the Authority signed an agreement with SIA STREK on the purchase of berths PM-20 and PM-21 for EUR 18 million which specifies that this amount should be paid over a period of 10 years from the date of the deed of transfer and receipt. According to the agreement, the berths are transferred to the Authority after SIA STREK has moved all its activities from Eksportosta to Krievu sala as provided for in Riga City Council Decision No. 749 'On approval of Riga territorial plan for 2006 – 2018' dated 20 December 2005 and the Authority's project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre'. In 2016 and 2017, the Authority signed additional agreements to the berth purchase agreement and paid for the berths an advance payment of EUR 15 million (2016: EUR 12 million; 2017: EUR 3 million). In April 2019, the Authority made the last payment of EUR 3 million and on 27 May 2019 the change of ownership of berths was registered with the Land Registry.

As a result of the procurement procedure 'Improvement of Kipsala yacht port infrastructure' announced on 1 November 2018, on 25 March 2019, within the framework of the EST-LAT Harbors project financed by the European Regional Development Fund, the Authority concluded an agreement in the amount of EUR 417,907 for improvement of infrastructure of Kipsala yacht port. Under the agreement, new floating constructions were manufactured and installed – pontoons, service building and sewage collection reservoir, integrating and combining the new constructions in the existing Kipsala yacht port. The new building is equipped with the necessary communications, as well as the improved yacht port is equipped with navigation markers, ensuring safe entry of sailors to the yacht port. Works were completed in January 2020.

In 2019, as a result of an open procurement procedure, the Authority entered into an agreement on the development and implementation of the Port Information System. The new Port Information System will enhance and automate data exchange with other information systems, provide efficient information and communication technologies support to the key operating process of the Port and will ensure enhanced information analysis opportunities for the management of the Port. In 2019, an advance payment of EUR 148,237 was made. The development and implementation of the Port Information System is planned to be completed in 2020.

4. Environment protection

In order to achieve the objective of the Freeport of Riga, i.e. to become one of the most environmentally friendly ports in the North-East region of the Baltic Sea, the Freeport of Riga Authority has implemented and operates an environment management system compliant with ISO 14001, which is confirmed by the certificate issued on 26 June 2018.

The Authority carries out regular terminal inspections in accordance with the requirements of the Cabinet of Ministers Regulation No. 1060 'Regulation on the Movement and Control of Hazardous and Polluting Cargo in Ports'.

The Authority coordinates and monitors inspection of the territory and the port aquatorium, as well as liquidation of the consequences of accidents or oil product spills provided by SIA Rīgas Brīvostas Flote.

'Action plan for unforeseen pollution at the Freeport of Riga' was updated as part of the annual update effort in accordance with the requirements of the Cabinet of Ministers Regulation of 5 February 2008 No. 82 'Typical requirements for the preparation of action plans for unforeseen pollution at ports, berths, berth groups and oil or chemicals terminals'.

In 2019, hands-on training was organised to test the response of the parties to the 'Action plan for unforeseen pollution at the Freeport of Riga' in case of emergency.

The network of groundwater monitoring wells developed in prior years is used for subsequent groundwater quality control.

To ensure the quality control of air at the Freeport of Riga, in 2019 regular measurements of solid particles were carried out – dust (PM₁₀) in the air at two monitoring stations in the territory of Krievu sala (in the immediate proximity of coal terminals) and Bolderāja, 1G Stūrmaņu Street (the immediate proximity of residential area), as well as in Vecmīlgrāvis, 3C Meldru Street. In order to evaluate the achievable results of the Krievu sala project, in the first half of 2019, measurements of solid particles were also carried out in Eksporta Street, in the territory of the former coal terminal.

In 2019, constant measurements of volatile organic compounds were made in the three monitoring stations – 35 Tvaika street, 4 Line No. 16 in Kundziņsala and 15/17 Audupes street in Mangalsala.

Monthly inspections of the leased area are organised to assess the condition of the territories and compliance with the provisions of the land lease agreements. Cleaning and maintenance of vacant territories is organised by the Freeport of Riga Authority according to the regulations of Riga City Council.

In cooperation with specialists from the University of Latvia the Authority monitors nesting water birds in Žurku sala and in the special areas of nature conservation 'Mīlestības sala' and 'Krēmeri'.

In accordance with the recommendation of the Nature Conservation Agency and experts, measures have been taken to protect bats in Mangalsala forts.

Monthly reports on the information of the state of the port environment are published on the website of the Freeport of Riga Authority, www.rop.lv.

5. Navigation and port safety measures

Navigation safety at the Port of Riga is ensured by the Freeport Harbour Master Office (Harbour Master, deputy Harbour Master, vessel traffic operators, pilots, port supervisors). The subsidiary of the Freeport of Riga Authority SIA Rīgas Brīvostas Flote (hereinafter – RBF) provides hydrographic measurement services, as well as service and maintenance of navigation equipment, incl. lighthouses. The vessel traffic in the Freeport of Riga is organized according to the regulations of the Freeport of Riga, Assembly Resolution A.857 (20) of the International Maritime Organization ‘Guidelines for Vessel Traffic Management’ as well as other international conventions, directives and regulations.

RBF Measurement Unit is responsible for controlling the depth of the port aquatorium and Navigations Unit ensures the maintenance of the navigation safety equipment in the Freeport of Riga aquatorium and Irbe Strait. Depth measurements in berth entrances, aquatoriums and dredging areas are performed by means of advanced technologies – a multi-beam echo sounder RESON, which provides complete seabed coverage and accurate depth data according to the IHO (International Hydrography Organization) S-44 standard requirements. Consequently, the port depth maps are accurate, thus ensuring navigation safety at the Freeport of Riga. Annual depth measurements are submitted to the cartography department of the VAS Latvian Maritime Administration for the update of information on navigation charts.

The navigation equipment maintenance area of the RBF Navigation Unit includes the Freeport of Riga aquatorium and Irbe Strait. The Navigation Unit services 17 range markers, 28 coastal light signs, 47 luminous buoys, electronic equipment of 12 lighthouses, as well as 3 navigation markers without equipment – a total of 107 navigation equipment units which is more than one third of all the navigation equipment in the country. The navigation equipment is maintained according to the Cabinet of Ministers Regulations and recommendations of the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA).

In order to improve navigation safety, marine pilots use mobile positioning system equipment, whose software is updated on an ongoing basis. Hydrological and meteorological information on the port is available online. It includes the data from 9 meteorological stations located in various areas of the port.

In order to assess the risks to navigation safety at the planning stage of new projects, to promote the growth of new marine pilots, as well as to effectively develop existing ship infrastructure and ship manoeuvrability, the Freeport of Riga uses real-time ship navigation simulators as an aid.

The Authority is responsible for the operation of lighthouses, thus ensuring safe navigation in the Gulf of Riga within the Baltic Sea, from the Ainaži Lighthouse to the Irbe Lighthouse.

Tugboat / ice-breaker services at the Port of Riga are provided by 4 companies.

The Port Police of the Freeport of Riga Authority maintains public order, vehicle movement control, cargoes and person movement control in the territory of the port, as well as illegal fishing control and compliance with shipping regulations in the Freeport of Riga aquatorium. The Port Police maintains public order at mass events in cooperation with relevant authorities and services.

6. International cooperation and marketing

The Freeport of Riga Authority is a member of a number of international organisations. The membership provides valuable information on the development trends of ports throughout the world, promotes international publicity of the Freeport of Riga and presents an opportunity for exchange of information and experience.

The Freeport of Riga Authority is a member of the International Association of Ports and Harbours (IAPH), the European Sea Port Organization (ESPO), the Baltic Ports Organization (BPO), the Cruise Europe Organization (Cruise Europe), Cruise Lines International Association (CLIA), the German Baltic Chamber of Trade in Estonia, Latvia, Lithuania, the International Network of Port Cities (AIVP), the International Harbour Masters Association (IHMA), the Coordinating Council on Trans-Siberian Transportation, the World Free Zones Organization (WFZO) and the Society for Promotion of Latvian-Belarusian Economic Relations.

The employees of the Authority are actively involved in the work of the committees of multiple international organisations such as ESPO, BPO and IAPH, which enables them to take direct part in the decision-making on topical industry matters and protect the interests of the Freeport of Riga on an international level. The representatives of the Authority accompany Prime Minister and President as part of official delegations to represent the interests of the Freeport of Riga.

The Authority has signed mutual cooperation agreements with the ports of Santander (Spain), Tallinn (Estonia), Le Havre (France), Rijeka (Croatia), Casablanca (Morocco), Santos (Brazil), Miami (USA), Puerto Fénix (Paraguay), Batumi (Georgia), Lianyungang (China) and Shenzhen (China), Corrientes Province (Argentina) and the Free Economic Zone of the Minsk Region and the Belarus Universal Commodity Exchange. In 2019, a mutual cooperation agreement was signed with Qingdao Port (China).

In 2019, the Port of Riga hosted and organized a number of international events in cooperation with international organizations: a meeting of the BPO Board, a meeting of the ESPO Executive Committee and a meeting of the ESPO Economic Analysis and Statistics committee.

In June 2019, the Freeport of Riga Authority in cooperation with AIVP hosted the Annual General Meeting of the Worldwide Network of Port Cities & The AIVP Days.

In 2019, the Freeport of Riga Authority participated in 10 international logistics and cargo shipment exhibitions in Russian Federation, Republic of Belarus, People's Republic of China, Kazakhstan, France, Germany, Poland, in 2 cruise industry exhibitions in USA and Germany, as well in cruise industry forum in Lithuania thus continuing the practice of sharing a stand with port companies and counterparties in key industry forums. There is continued abundant interest in the services provided by the port – during 2019 the Port of Riga welcomed 29 delegations from 37 countries, and the Marketing department informed them on the services and opportunities at the Port of Riga. The greatest number of delegations were from Belarus, Russia, China and Latvia.

7. Corporate governance and social responsibility policy

By implementing the Corporate Social Responsibility Policy, in 2019, activities were carried out aimed at environmental protection, public education on the activities of the Freeport of Riga, co-operation with residents of the surrounding areas of the Port, promotion of education in the ports, maritime and logistics areas, as well as support for measures to preserve historical heritage of the Port and raising awareness of Riga as a port city.

Major activities in 2019 within the implementation of the Corporate Social Responsibility Policy:

- joint clean-up of the port area by the staff of the Authority and Kundzinsala Citizens' Association within the framework of the 'Big Clean-up';
- drainage of the residential area in Kundzinsala and territory improvement are performed in cooperation with Kundzinsala Development Association;
- organization of various educational and entertainment events in the neighbourhood of the port;
- organization of the annual Port Festival within the Riga City Festival;
- the annual Shadow Day of the Authority;
- lectures, presentations, study tours, competitions and games for pupils and students with a view to present the operations of the Port and professions needed in the port;
- internships for port, maritime, logistics and other students.

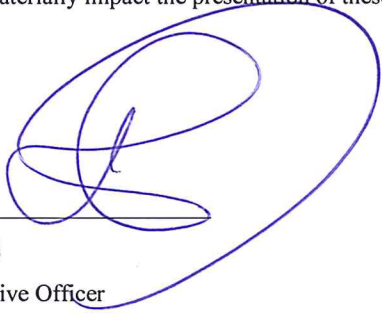
8. Other significant information

For information on litigations please refer to Note 26.

9. Subsequent Events

For information on subsequent events, the circumstances of the Covid-19 virus and its effects on the Freeport of Riga Authority activity, please refer to Note 28 of the financial statements.

No other significant subsequent events have occurred since the reporting date to the date of these financial statements that would materially impact the presentation of these financial statements.



Ansis Zeltiņš

Chief Executive Officer

17 June 2020

The Annual Report for 2019 was approved by the Freeport of Riga Board Meeting on 29 June 2020.



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Independent Auditors' Report

To the Board of Freeport of Riga Authority

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Freeport of Riga Authority ("the Authority") set out on pages 13 to 41 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2019,
- the income and expenses statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Freeport of Riga Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Authority's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- Information about the members of the Board presented on page 4 of the accompanying Annual Report, and
- is the Management Report, as set out on page 5 to 9 of the accompanying Annual Report.

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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



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

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

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

KPMG Baltics AS
License No. 55

Armine Movsisjana
Chairperson of the Board
Riga, Latvia

17 June 2020

Inga Lipšāne
Latvian Certified Auditor
Certificate No. 112

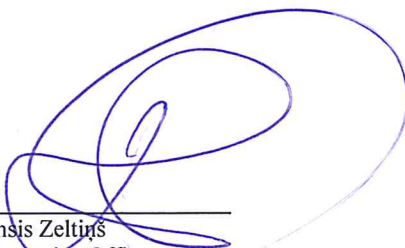
This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Rīga, Latvia
ANNUAL REPORT FOR 2019
BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS	Note	31.12.2019 EUR	31.12.2018. EUR
Long-term investments			
Intangible assets			
Intangible assets	3	70,234	113,937
Expenses of intangible assets formation	3	39,840	-
Prepayments for intangible assets	3	148,237	-
Total intangible assets		258,311	113,937
Fixed assets			
Land, buildings and engineering structures	3	404,458,577	396,177,235
Leasehold improvements	3	4,498	8,996
Equipment and devices	3	1,457,644	1,682,089
Other fixed assets	3	629,577	833,022
Construction in progress	3	5,240,870	2,157,008
Prepayments for fixed assets	3	109,013	15,726,846
Total fixed assets		411,900,179	416,585,196
Long term financial investments			
Investments in subsidiaries	4	22,439,321	22,859,110
Total long term financial investments		22,439,321	22,859,110
Total long term investments		434,597,811	439,558,243
Current assets			
Stock			
Raw materials		138,534	129,924
Prepayments for goods		-	707
Total stock		138,534	130,631
Receivables			
Trade receivables	5	2,897,710	2,814,649
Due from related parties		9,381	10,978
Other receivables	6	277,652	318,221
Prepaid expenses	7	132,271	153,550
Accrued income		325	9,978
Total receivables		3,317,339	3,307,376
Cash	8	17,367,879	3,487,217
Total current assets		20,823,752	6,925,224
TOTAL ASSETS		455,421,563	446,483,467

The accompanying notes on pages 18 to 41 form an integral part of these financial statements.

The financial statements were signed on behalf of the Freeport of Riga Authority on 17 June 2020 by:



 Ansis Zeltiņš
 Chief Executive Officer



 Santa Šveda
 Chief Accountant

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Riga, Latvia
ANNUAL REPORT FOR 2019
BALANCE SHEET AS AT 31 DECEMBER 2019

EQUITY AND LIABILITIES	Note	31.12.2019 EUR	31.12.2018. EUR
Shareholder's equity			
Long term investment revaluation reserve	9	1,007,038	1,007,038
Reserves:			
a) statutory reserves	9	181,963,042	173,456,480
b) other reserves	9	108,502,296	107,401,978
Surplus for the reporting year		7,183,194	8,371,445
Total equity		298,655,570	290,236,941
Provisions	10	6,034,720	5,287,019
Liabilities			
Long-term liabilities			
Loans from credit institutions	11	60,892,428	66,339,810
Accounts payable to suppliers and contractors	12	218,510	210,853
Deferred income	14	68,756,656	71,077,236
Advance payments from EU funds	14	9,379,170	-
Total long-term liabilities		139,246,764	137,627,899
Short-term liabilities			
Loans from credit institutions	11	5,447,382	5,447,382
Customer advances		8,829	10,908
Accounts payable to suppliers and contractors	12	534,325	2,301,566
Due to related parties		53,063	-
Taxes and compulsory state social security contributions	15	298,250	342,223
Other liabilities	13	837,367	746,984
Deferred income	14	2,351,399	2,341,206
Accrued liabilities	16	1,953,894	2,141,339
Total short-term liabilities		11,484,509	13,331,608
Total liabilities		150,731,273	150,959,507
TOTAL EQUITY AND LIABILITIES		455,421,563	446,483,467

The accompanying notes on pages 18 to 41 form an integral part of these financial statements.

The financial statements were signed on behalf of the Freeport of Riga Authority on 17 June 2020 by:



 Ansis Zeltins
 Chief Executive Officer



 Santa Šveda
 Chief Accountant

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Rīga, Latvia
ANNUAL REPORT FOR 2019
STATEMENT OF INCOME AND EXPENSES FOR 2019

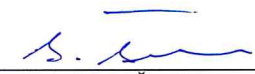
	Note	2019 EUR	2018 EUR
Net sales	17	46,961,566	47,490,783
Cost of services	18	(32,097,175)	(29,541,595)
Gross surplus		14,864,391	17,949,188
Administrative expenses	19	(7,667,409)	(7,897,854)
Other operating income	20	2,464,705	2,134,914
Other operating expenses	21	(1,077,592)	(2,827,390)
Impairment adjustments of long term financial investments	4	(419,789)	-
Interest and similar expenses	22	(981,112)	(987,413)
Surplus for the reporting year		7,183,194	8,371,445

The accompanying notes on pages 18 to 41 form an integral part of these financial statements.

The financial statements were signed on behalf of the Freeport of Riga Authority on 17 June 2020 by:



 Ansis Zeltiņš
 Chief Executive Officer



 Santa Šveda
 Chief Accountant

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Riga, Latvia
ANNUAL REPORT FOR 2019
STATEMENT OF CHANGES IN EQUITY FOR 2019

	Long-term investment revaluation reserve EUR	Statutory reserves EUR	Other reserves EUR	Surplus for the reporting year EUR	Total EUR
As at 31 December 2017	1,007,038	164,320,860	107,401,978	9,135,620	281,865,496
Surplus for the reporting year	-	-	-	8,371,445	8,371,445
Changes in statutory reserves	-	9,135,620	-	(9,135,620)	-
As at 31 December 2018	1,007,038	173,456,480	107,401,978	8,371,445	290,236,941
Surplus for the reporting year	-	-	-	7,183,194	7,183,194
Changes in statutory reserves	-	8,371,445	-	(8,371,445)	-
Recognition of registered land (see Note 3)	-	-	2,419,934	-	2,419,934
Changes in the value of registered land (see Note 3)	-	-	(1,184,499)	-	(1,184,499)
Derecognition of previously transferred dismantled buildings and constructions	-	135,117	(135,117)	-	-
As at 31 December 2019	1,007,038	181,963,042	108,502,296	7,183,194	298,655,570

The accompanying notes on pages 18 to 41 form an integral part of these financial statements.

The financial statements were signed on behalf of the Freeport of Riga Authority on 17 June 2020 by:



 Ansis Zeltins
 Chief Executive Officer



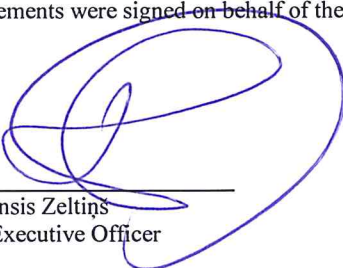
 Santa Šveda
 Chief Accountant

FREEPORT OF RIGA AUTHORITY, Reg. No. 90000512408, Kalpaka bulvāris 12, Riga, Latvia
ANNUAL REPORT FOR 2019
STATEMENT OF CASH FLOW FOR 2019

	2019	2018
	EUR	EUR
Cash flows from operating activities		
Surplus for the reporting year	7,183,194	8,371,445
Adjustments for:		
Impairment of fixed assets	12,247,491	9,936,316
Impairment of intangible assets	49,883	67,078
Provisions	747,701	420,579
Profit or loss from foreign exchange rate fluctuations	1,973	(1,393)
Impairment adjustments of long term financial investments	419,789	-
Interest and similar expenses	981,112	987,413
Operating cash flows before adjustments for the effect of changes in working capital and short-term liabilities	21,631,143	19,781,438
Adjustments for:		
(Increase)/decrease in receivables	(9,963)	(835,648)
(Increase)/decrease in stock	(7,903)	3,876
(Decrease)/increase in payables	(1,993,533)	(1,769,508)
Cash flows generated by operating activities	19,619,744	17,180,158
Interest paid	(984,790)	(981,613)
Net cash flows from operating activities	18,634,954	16,198,545
Cash flows from investing activities		
Purchase of fixed and intangible assets	(8,838,120)	(41,043,506)
Proceeds from disposal of fixed assets	154,013	85,214
Proceeds from decrease of related parties' share capital	-	5,054,270
Net cash flows from investing activities	(8,684,107)	(35,904,022)
Cash flows from financing activities		
Loans from credit institutions	-	69,718,737
EU funding	9,379,170	-
Repayment of loans	(5,447,382)	(55,931,745)
Net cash flows from financing activities	3,931,788	13,786,992
Result of fluctuations in foreign exchange rates	(1,973)	1,393
Net increase/ (decrease) in cash	13,880,662	(5,917,092)
Cash at the beginning of the reporting year	3,487,217	9,404,309
Cash at the end of the reporting year	17,367,879	3,487,217

The accompanying notes on pages 18 to 41 form an integral part of these financial statements.

The financial statements were signed on behalf of the Freeport of Riga Authority on 17 June 2020 by:



 Ansis Zeltiņš
 Chief Executive Officer



 Santa Šveda
 Chief Accountant

1) GENERAL INFORMATION

The Port of Riga Authority was established by the Riga City Council Resolution No. 87 dated 2 August 1994 based on the 'Law on Ports' of the Republic of Latvia dated 12 July 1994. According to the 'Law on the Freeport of Riga' and by the Riga City Council Resolution No. 8541 dated 30 May 2000, the Port of Riga Authority was renamed as the Freeport of Riga Authority (hereinafter – the Authority) and the By-laws of the Freeport of Riga Authority No. 89 were approved. According to the amendments to the 'Law on Ports' dated 23 October 2003, the Authority was given the legal status of a derived legal entity governed by the public law that is established by the Riga City Council in the procedure provided for under the 'Law on Ports' and was granted autonomous competence. From 2 June 2004 to 13 June 2012 the Freeport of Riga Authority operated based on the By-laws No. 95 adopted by the Riga City Council on 6 April 2004 and approved by the Cabinet of Ministers Order No. 374 dated 2 June 2004. From 14 June 2012 to 31 January 2020 the Freeport of Riga Authority operated in accordance with the Cabinet of Ministers Regulation No. 378 'Regulations of the Freeport of Riga Authority' dated 29 May 2012, effective from 14 June 2012. Since 1 February 2020, the Freeport of Riga Authority operates in accordance with the Cabinet of Ministers Regulation No. 61 'Regulations of the Freeport of Riga Authority' dated 28 January 2020.

The Authority is a subject of the public and private law and carries out the management of the Freeport of Riga in accordance with the 'Law on Ports', the 'Law on the Freeport of Riga', the By-laws of the Authority and other laws and regulations.

The Authority is a legal entity. It consists of the Freeport Board as a supreme decision-taking body and the administration headed by the Chief Executive Officer. The administration as a management body carries out the management of the Freeport in accordance with the Board resolutions and the By-laws of the Authority.

The Authority operates under the supervision of the Cabinet of Ministers of the Republic of Latvia.

The Authority is entitled to use its funds only for management and development of the port and its infrastructure, attraction of investors and clients and functions determined by the 'Law on Ports' of the Republic of Latvia, dated 12 July 1994. The Authority may donate its funds to the State by contributions to the State budget.

The key functions of the Authority are:

- To develop the port regulations and other regulations governing the port operations, to control compliance with such regulations;
- To determine the security and authorised access arrangements in the port;
- To determine the port fees and maximum tariffs for the services;
- To collect the port fees and lease payments;
- To ensure winter navigation in the port;
- To control protection of the port territory against pollution;
- To manage and develop the port infrastructure;
- To ensure navigation safety in the port;
- To issue to companies the permit (license) for business operations under the free zone regime and to sign agreements on business operations under the free zone regime;
- To issue to licensed companies the certificate granting the right to apply direct tax relief and special procedures for making statutory social insurance contributions;
- To provide other services at the Port of Riga.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation – the financial statements have been prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law'. The statement of income and expenses is prepared according to the turnover costing method. The cash flow statement is prepared according to the indirect method. The financial statements are prepared on historical cost basis.

Accounting principles – the financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Authority will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period;

- e) Assets and liabilities have been valued separately;
- f) The functional and presentation currency of the Authority is euro;
- g) The opening balance agrees to the prior year closing balance;
- h) All material items, which would influence the decision-making process of users of the financial statements have been recognized and insignificant items have been combined and their details disclosed in the notes;
- i) Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

Related parties – related parties are subsidiaries of the Authority, as well as key management personnel and their close relatives and companies in which they have a controlling interest, as well as companies over which these persons or their close relatives (jointly or separately) have direct or indirect control.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR).

Transactions in foreign currencies are translated into euros at the reference exchange rate published by the European Central Bank as at the morning of the transaction date.

Non-monetary items of assets and liabilities are revalued to euros in accordance with the reference exchange rate set by the European Central Bank as at the morning of the transaction date. All monetary asset and liability items are revalued to euros according to the reference exchange rate published by the European Central Bank at the end of the reporting date. Exchange rates per EUR 1:

	31.12.2019	31.12.2018.
USD	1.12340	1.14500

Intangible assets – intangible assets are initially recognized on cost basis. Amortization is calculated on a straight-line basis over period of 5 years.

Fixed assets – fixed assets are movable or immovable properties if the Authority holds those to provide services, rent or for administrative purposes (for administration or other needs, for example, to support the operation of other fixed assets, to conform with critical work safety or environment protection requirements concerning the Authority's primary activities).

According to the 'Annual Reports and Consolidated Annual Reports Law' of the Republic of Latvia, balance sheet items *Investment Properties* and *Long-term investments held for trading* are to be used only by a company that following the exemptions stipulated in the law, recognises and measures these items in accordance with the International Accounting Standards (International Financial Reporting Standards as adopted by the EU).

Real estate properties intended for lease and land plots without definite purpose of use, as well as fixed assets intended for sale, are disclosed under fixed assets, until their disposal, or under stock, as appropriate.

Assets with useful lives exceeding 1 year and the acquisition cost exceeding EUR 300 are accounted for as fixed assets.

According to the 'Law on Ports' the majority of land plots, buildings and constructions available to the Authority belong to Riga City Council or the state but the possession rights have been transferred to the Authority.

It is stipulated in the 'Law on Ports' that the majority of land plots, buildings and constructions available to the Authority belong to Riga City Council or the state but the possession rights have been transferred to the Authority. The registration procedure in the Land Registry is carried out by the Authority in the name of the owners. Based on Accounting policy approved by the Authority, land is initially recognized at the cadastral value following the registration in the Land Registry. Other state-owned and municipal fixed assets transferred to the Authority for possession or use are recognized at (net) carrying amount as stated in the accounts of the institution transferring the respective asset.

Other reserves are increased by the value of assets transferred to the Authority. If any of these fixed assets are returned back to the state or municipality, other reserves are reduced by the value of such assets. Reserves are restated when land plots recognized on the balance sheet are registered anew in the Land Registry after merging or dividing – based on the cadastral value of the land plots at the date of re-registration.

The cost of an acquired fixed asset comprises the purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition for its intended use. The cost of self-constructed fixed assets is determined based on the same principles as those of purchased fixed assets.

Fixed assets on the Authority's balance sheet – buildings, constructions, equipment and machinery are divided into components. The components having different useful lives and being cost significant in relation to the total cost of the item are accounted for separately.

Depreciation of fixed assets is calculated based on their cost. Depreciation of fixed assets is calculated on a straight-line basis over the average useful life of the fixed assets and their components:

Buildings and engineering structures *)	1 – 7%
Equipment and devices	10 – 20%
Other fixed assets	20 – 25%

*) A reduced depreciation rate – 10% of the standard depreciation rate was applied until 2019 to the infrastructure built on Krievu sala as part of the project ‘Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre’ and put into operation at the end of 2015: berths, internal roads of the terminal, sites and engineering communications. As of 2019, after the launch of the Krievu sala terminals, a 1–7% annual depreciation rate is applied depending on the specifics of the objects and the components they contain.

Land is not depreciated.

Buildings, constructions and navigation equipment that the Latvian Maritime Administration has transferred to the Authority in 2001 in line with the ‘Law on Ports’ of the Republic of Latvia and Order No. 115 of 2 August 2001 of the Ministry of Transport of the Republic of Latvia “On Setting Management Regions of Navigation Technical Devices and Transferring Navigation Technical Devices to the Possession of Port Authorities” are accounted for as off-balance sheet items.

Repair and maintenance costs are expensed in the period when incurred. Capital expenditure is stated in the assets as an increase in the value of assets, if such expenses result in an increase of the useful life or future economic benefits of the item beyond the original estimates.

Interest payments on loans used for the construction of assets are included in the cost of construction in progress until the respective assets are put into operation.

If for any reason other than temporary the recoverable amount of fixed assets is lower than the carrying amount, the fixed assets are written down to the recoverable amount. Impairment losses on fixed assets are recognized as expenses in the statement of income and expenses.

Other reserves – as mentioned above, based on the Accounting policy approved by the Authority, land is initially recognized at the cadastral value following the registration in the Land Registry. Other state-owned and municipal fixed assets transferred to the Authority for possession or use are recognized at (net) carrying amount as stated in the accounts of the institution transferring the respective asset.

When assets received in the possession are recorded an accounting entry is made on the credit side under item ‘Other reserves’ under Equity.

If any of these fixed assets are returned back to the state or municipality, other reserves are reduced by the value of such assets.

Other reserves are adjusted in line with the changes in cadastral values in cases when land plots are divided or merged and accounted anew with a new registration number.

Investments in subsidiaries – investments in related parties are investments controlled by the Authority. Control is established when the Authority holds more than 50% of share capital or exercises over the subsidiary control of another nature. Investments in related parties are recognized at historical cost, less accumulated impairment losses. The recoverable amount of investments in related parties is assessed at each reporting date to determine whether it is not lower than the carrying amount. If the recoverable value of investments is lower than the carrying value, impairment losses are recognized. Impairment losses on investments are recognized as expenses in the statement of income and expenses.

Receivables – receivables are stated at net realisable value. Receivables are disclosed in the balance sheet at net value calculated as the total receivables less allowances for any uncollectible amounts established upon an individual evaluation of each receivable. Doubtful debt allowances represent the estimated loss as at the balance sheet date.

Stock – stock is valued at the lower of cost and net realisable value. Stock is valued according to the FIFO method. If required, provisions are recognised for write-off of obsolete, damaged inventories.

Cash and cash equivalents – cash and cash equivalents include balances in bank accounts and term deposits with an initial maturity of less than three months.

The cash flow statement has been prepared in accordance with the indirect method by making relevant adjustments to reconcile operating surplus with cash flows from operating activities.

Financial support by the state and international institutions – income from financial support by the state and international institutions is recognized in the statement of income and expenses during the period to which the income is attributable. Financial support attributable to fixed assets is initially recognized as deferred income and recognized as income on a systematic basis proportionally to the useful life of the relevant asset. The financial support intended to compensate certain expenses is included in the income of the year when the relevant expenses are incurred, if it is likely that all the significant conditions will be fulfilled and it will be received and if the receivable amounts can be reasonably estimated. In other cases, such support is recognised in the income statement as received.

Loans and borrowings – all loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of borrowing costs. Loans are tested for impairment on a regular basis.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method. The amortized cost is calculated taking into account loan origination costs or borrowing costs and all discounts and premiums related to loans or borrowings.

Gains and losses resulting from amortization are recognized in the statement of income and expenses as interest income/expense.

Provisions – provisions are recognized to cover certain liabilities relating to the reporting period or previous periods if during the preparation of the financial statements such liabilities are expected or certain, but the amount or date of occurrence or settlement is not certain.

Provisions are recognized only if the following conditions apply:

- in relation to a certain event in the past it is necessary to perform certain actions in favour of other person on the basis of a legal act, contract or commercial custom (for example, in relation to a fixed asset put into operation during the reporting year or during any other previous reporting periods, it is necessary to perform dismantling and restoration of the site after the end of the useful life of the asset to comply with environmental requirements);
- the company is expected to incur additional expenses in relation to the completion of a certain duty and the amount of such expenses can be estimated reliably.

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk.

As at the year end, the following provisions have been recognized:

- provisions for expected bonuses for annual performance are estimated in line with the rules of professional conduct and forecast on compliance with the requirements;
- provisions for dismantling expenses are recognized if at the balance sheet date the Authority has an obligation to dismantle buildings or constructions. Expenses are estimated for each object individually based on the valuation of construction specialists;
- provisions for outstanding litigations are estimated on the basis of the management's assessment and estimates regarding the outcome of litigations.

Accrued income – accrued income comprises clearly known payment amounts with buyers and purchasers for delivery of goods or provision of services during the reporting year, for which the underlying supporting document (invoice) was not yet issued on the balance sheet date due to delivery, purchase or agreement terms or for other reasons. These amounts of payments are calculated according to the price set in the relevant agreement and documents confirming the actual delivery of goods or provision of services.

Accrued liabilities – accrued liabilities comprise:

- clearly known liability amounts with suppliers and contractors for the delivery of goods or the provision of services during the reporting year, for which the underlying supporting document (invoice) was not yet received on the balance sheet date due to delivery, purchase or agreement terms or for other reasons. These amounts of liabilities are calculated according to the price set in the relevant agreement and documents confirming the actual receipt of goods or provision of services;
- estimated liabilities due to employees for vacation days accrued during the year, which are calculated for each employee by multiplying the average daily wage of the employee with the number of accrued but unused vacation days at the end of the reporting year, taking into account statutory social security contributions of the employer;
- severance payments and state social security contributions, if the decision on the dismissal is made during the reporting year.

Taxes – according to the Latvian legislation the Authority is not a payer of corporate income tax. The Authority pays other taxes in accordance with the tax legislation of the Republic of Latvia.

Revenue – the Authority earns revenue mainly from port fees and lease of land, berths and real estate in the territory of the Freeport of Riga. Revenue from services is recognized in the period when the services are provided. Revenue from lease is recognized on a straight-line basis over the period of the lease agreement. Revenue includes the share of port fees transferred to the municipality under the principles established by the laws and regulations (see Note 13).

Lease – a lease is classified as a finance lease where all the risks and benefits incidental to ownership of the leased item are transferred to the lessee under the lease agreement. Lease of assets where the lessor retains substantially all the risks and benefits of ownership of the asset is classified as operating lease. Payments made under operating lease agreements are recognized as expenses on a straight-line basis over the lease term.

Financial expense – borrowing costs are recognized as an expense in the period to which they are related and recorded as 'Interest and similar expenses', except for the interest payments on loans used for the construction of fixed assets until the respective assets are put into operation.

Use of estimates – the preparation of these financial statements requires the Authority's management to make certain estimates and assumptions affecting the amounts of assets, liabilities and off-balance sheet items reported for the respective period. The same refers also to income and expenses for the reporting period. The actual results could differ from those estimates.

The main estimates relate to determining the recoverable amount and useful lives of fixed assets, allowances for doubtful debt and provisions for the liabilities of the Authority which could arise from current litigations.

3) INTANGIBLE AND FIXED ASSETS

EUR	Intangible assets	Expenses of intangible assets formation	Prepayments for intangible assets	Total
Historical cost				
As at 31 December 2018	631,632	-	-	631,632
Additions	1,880	44,140	148,237	194,257
Transferred from formation costs	4,300	(4,300)	-	-
As at 31 December 2019	637,812	39,840	148,237	825,889
Accumulated amortization				
As at 31 December 2018	517,695	-	-	517,695
Amortization for the reporting year	49,883	-	-	49,883
As at 31 December 2019	567,578	-	-	567,578
Carrying amount				
As at 31 December 2018	113,937	-	-	113,937
As at 31 December 2019	70,234	39,840	148,237	258,311

In 2019, as a result of an open procurement procedure, the Authority entered into an agreement on the development and implementation of the Port Information System. The new Port Information System will enhance and automate data exchange with other information systems, provide efficient information and communication technologies support to the key operating process of the Port and will ensure enhanced information analysis opportunities for the management of the Port. In 2019, an advance payment of EUR 148,237 was made for the development of the Port Information System. The development and implementation of the Port Information System is planned to be completed in 2020.

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EUR	Land, buildings and engineering structures	Leasehold improvements	Equipment and devices	Other fixed assets	Construction in progress	Prepayments for fixed assets	Total
Historical cost							
As at 31 December 2018	472,941,911	71,721	4,351,374	6,864,138	2,157,008	15,726,846	502,112,998
Additions	2,596,904	-	13,663	119,755	6,036,784	133,878	8,900,984
Transferred from prepayments	-	-	-	10,931	15,740,780	(15,751,711)	-
Transferred from construction in progress	18,619,203	-	-	7,821	(18,627,024)	-	-
Disposals	(609,334)	-	(215,897)	(686,765)	(66,678)	-	(1,578,674)
Value adjustment	(1,184,499)	-	-	-	-	-	(1,184,499)
As at 31 December 2019	492,364,185	71,721	4,149,140	6,315,880	5,240,870	109,013	508,250,809
Accumulated depreciation and impairment							
As at 31 December 2018	76,764,676	62,725	2,669,285	6,031,116	-	-	85,527,802
Depreciation for the reporting year	11,669,828	4,498	216,766	340,294	-	-	12,231,386
Decrease of allowances due to disposals	(19,632)	-	-	-	-	-	(19,632)
Disposals	(509,264)	-	(194,555)	(685,107)	-	-	(1,388,926)
As at 31 December 2019	87,905,608	67,223	2,691,496	5,686,303	-	-	96,350,630
Carrying amount							
As at 31 December 2018	396,177,235	8,996	1,682,089	833,022	2,157,008	15,726,846	416,585,196
As at 31 December 2019	404,458,577	4,498	1,457,644	629,577	5,240,870	109,013	411,900,179

Information on pledged assets is provided in Note 11.

Depreciation and amortization for the reporting year is included in the following items of expenses:

	2019 EUR	2018 EUR
Cost of services	12,009,668	8,693,785
Administrative expenses	252,635	296,269
Other operating expenses	18,966	6,177
Total	12,281,269	8,996,231

On 30 August, 2018, the Board of the Authority made a decision to sell the fire pumping station at 50 Birztaļu Street in Riga in an auction. As at 31 December 2018, the Authority recognised an impairment allowance for the fire pumping station at 50 Birztaļu Street in Riga in the amount of EUR 34,689. On 23 May 2019 the fire pumping station at 50 Birztaļu Street in Riga was sold in an auction.

In 2019, the Authority wrote off the cost of the capitalized design of EUR 66,678 included in the cost of construction in progress. These costs are related to construction project the development of which cannot be completed because an agreement with the lessee cannot be reached.

On 26 May 2016, the Authority signed an agreement with SIA STREK on the purchase of berths PM-20 and PM-21 for EUR 18 million which specifies that this amount should be paid over a period of 10 years from the date of the deed of transfer and receipt. According to the agreement the berths are transferred to the Authority after SIA STREK has moved all its activities from Eksportosta to Krievu sala as provided for in Riga City Council Decision No. 749 'On approval of Riga territorial plan for 2006 – 2018' dated 20 December 2005 and the Authority's project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre'. In 2016 and 2017, the Authority signed additional agreements to the berth purchase agreement and paid for the berths an advance payment of EUR 15 million (2016: EUR 12 million; 2017: EUR 3 million). In April 2019, the Authority made the last payment of EUR 3 million and on 27 May 2019 the change of ownership of berths was registered with the Land Registry.

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Based on the 'Law on Ports', the 'Law on the Freeport of Riga', Cabinet of Ministers Regulation No. 690 of 22 August 2006 'On the Freeport of Riga Boundaries', Riga City Council Order No. 5643, dated 18 December 2012 and acceptance documents signed in 2019, in 2019 the Authority recognized on its balance sheet land plots registered in the Land Registry in the name of the city with the total area of 8.03 ha and the total value of EUR 672,303. In 2018, there were no land plots registered in the Land Registry in the name of the city and recognized on the balance sheet of the Authority.

Based on the 'Law on Ports', the 'Law on the Freeport of Riga', Cabinet of Ministers Regulation No. 690 of 22 August 2006 'On the Freeport of Riga Boundaries', Order No. 112 'On Transfer of the State Land Located in the Territory of the Freeport of Riga' issued by the Ministry of Transport of the Republic of Latvia on 24 August 2007 and acceptance documents signed in 2019, in 2019 the Authority recognized on its balance sheet land plots registered in the Land Registry in the name of the State represented by the Ministry of Transport with the total area of 21.12 ha and the total value of EUR 1,747,631. In 2018, there were no land plots registered in the Land Registry in the name of the State held by the Ministry of Transport and recognized on the balance sheet of the Authority.

No land plots were derecognized in 2019 and 2018.

In 2019, the Authority performed the merger of certain land plots recognized on its balance sheet. As a result of this process, land plots with old cadastre numbers were eliminated from the balance sheet and then registered again and recognized on the balance sheet with new cadastre numbers. The cadastral value of land is influenced by data on the qualitative condition of the property, type of use, area, encumbrances and other criteria. The same land plots could have different cadastral values in different periods. The following adjustments to the value of land plots were recognized:

In 2019	Divided and merged land plots registered in the name of the State represented by the Ministry of Transport	
	m ²	EUR
Disposals	(118,023)	(2,012,503)
Registered anew	118,023	828,004
Difference	0	(1,184,499)

In 2018, land plots presented in the balance sheet were not divided and merged.

Changes in the value of land arising from re-registration have no impact on the statement of income and expenses. In 2019 an adjustment to the value of land plots in the amount of EUR 1,184,499 as a result of re-registration was recognised in 'Other reserves' under Equity.

Based on Cabinet of Ministers Regulations No. 690 'On Determining the Boundaries of the Freeport of Riga', starting from 1 September 2006 the territory of the Freeport of Riga is 6,348 ha. The total area of the territory can be adjusted after field measurements. In detail, the territory can be specified as follows:

	ha
Overland territory	1,962
Inland waters	1,271
Aquatorium of the Gulf of Riga	3,115
Total	6,348

As at 31 December 2019 the carrying amount of the land was EUR 71,742,433 (31 December 2018: EUR 70,423,694).

The following categories of land are recognized on the balance sheet of the Authority:

	31.12.2019 EUR	ha	31.12.2018. EUR	ha
Transferred to the Authority's possession from the Ministry of Transport of the Republic of Latvia	58,290,612	883	57,727,481	862
Transferred to the Authority's possession from the Riga City Municipality	12,346,398	414	11,674,095	406
Owned by the Freeport of Riga Authority	1,105,423	17	1,022,118	13
Reported as off-balance sheet items with zero value	-	19	-	34
Reported as off-balance sheet items with zero value not registered with the Land Registry	-	59	-	65
Total	71,742,433	1,392	70,423,694	1,380

71% of the Freeport of Riga overland territory is included in the financial records of the Authority. According to the Real Estate Cadastre Information System maintained by the State Land Service, the overland territory of the Authority is 1,964 ha. 1,333 ha of this overland territory is registered in the Land Registry in the name of the State represented by the Ministry of Transport, in the name of Riga city and in the name of the Authority. The Authority has leased 703 ha of this territory or 53 %. 145 ha of land are registered in the Land Registry in the name of individuals. There is also land with the total area of 475 ha (including 91 ha of a nature park and restricted areas) not registered in the Land Registry. 59 ha from the unregistered land is recognized as an off-balance sheet asset of the Authority.

In 2019 the Authority purchased land with the total area of 40.587 m² for a total of EUR 83,305.

4) INVESTMENTS IN SUBSIDIARIES

Based on the Authority's Board Decision No. 64 of 11 June 2010, the Authority established the subsidiary SIA Rīgas Brīvostas Flote (legal address: Kundziņsalas 3. līnija 36, Rīga, LV-1005, unified registration number 40103321893). The Authority made a property contribution of tugboats 'SANTA' and 'STELLA' in the value of EUR 8,537,231 (LVL 6 million) and a cash contribution of EUR 142,287 (LVL 100,000) to the share capital of the subsidiary. As at 31 December 2010 the share capital of the company was EUR 8,679,518 (LVL 6,100,000).

On 4 August 2011 the Board of the Authority made the decision No. 76 on increasing the share capital of SIA Rīgas Brīvostas Flote by EUR 4,553,190 (LVL 3,200,000) by investing ice-breaker VARMA into the subsidiary's share capital. As a result, as at 31 December 2011 the share capital of SIA Rīgas Brīvostas Flote was EUR 13,232,708 (LVL 9,300,000).

On 30 December 2014 the Board of the Authority made the decision No. 171 on the increase of the share capital of SIA Rīgas Brīvostas Flote by EUR 5,070,000, by contributing tugboat 'SFINKSA' to the share capital of the company and also to denominate share capital from lats to euros. These changes to the share capital were registered in the Enterprise Registry of the Republic of Latvia on 2 February 2015 and as at 31 December 2015 the share capital of SIA Rīgas Brīvostas Flote amounted to EUR 18,302,700. As a result of denomination, share capital of SIA Rīgas Brīvostas Flote decreased and other reserves increased by EUR 8.

On 3 March 2015, the Authority pledged tugboats 'SANTA', 'STELLA' and 'SFINKSA' owned by SIA Rīgas Brīvostas Flote in favour of the Nordic Investment Bank as a security for the loans from the Nordic Investment Bank (loan agreement of 16 January 2006 No. IL4636 and loan agreement of 10 February 2006 No. IL4637).

On 20 December 2016 the Board of the Authority made the decision No. 192 on the increase of the share capital of SIA Rīgas Brīvostas Flote by EUR 5,102,370, by contributing fixed assets and stock into the share capital of the company, which the Authority transferred to SIA Rīgas Brīvostas Flote on 30 December 2016. The changes in the share capital of SIA Rīgas Brīvostas Flote were registered on 12 January 2017.

On 24 May 2017, the Board of the Authority made decision No. 52 regarding an in-kind contribution into the share capital of SIA Rīgas Brīvostas Flote by which fixed assets and stock of EUR 4,508,302 were contributed into the share capital of SIA Rīgas Brīvostas Flote, which as at 31 December 2017 amounted to EUR 27,913,372.

On 18 August 2017 the Board of the Authority made the decision No. 86 on the decrease of share capital of SIA Rīgas Brīvostas Flote during the first quarter of 2018 by EUR 5,054,270, distributing the decrease to the Authority to be used as funding for the construction of additional infrastructure on Krievu sala. In accordance with the decision of the shareholder of 2 March 2018, reduction in share capital was registered with the Commercial Register of the Republic of Latvia on 27 April 2018. As a result, as at 31 December 2018 the share capital of SIA Rīgas Brīvostas Flote was EUR 22,859,102.

The Authority is a 100% owner of the share capital of SIA Rīgas Brīvostas Flote. SIA Rīgas Brīvostas Flote provides port services. The primary activities of SIA Rīgas Brīvostas Flote are tugboat rental services, depth measurement services, provision and maintenance of navigation equipment, pilot transfer services, territory and engineering infrastructure management, maintenance of railway infrastructure in the territory of the Freeport of Riga, winter navigation services at the aquatorium of the Freeport of Riga and sea accident elimination, as well as other services for the Freeport of Riga Authority and other enterprises. Also, SIA Rīgas Brīvostas Flote is providing construction supervision services for various port projects.

The Authority has signed contracts with SIA Rīgas Brīvostas Flote concerning the following functions:

- Management and maintenance of the railway;
- Pilot transfer;
- Maintenance of navigation means;
- Measurements and mapping in the aquatorium of the Freeport of Riga;
- Management of the property owned or possessed by the Freeport of Riga Authority (buildings, constructions and related engineering and technical communications, hydrotechnical buildings, berths, shipping routes and the aquatorium in the management areas determined by the Ministry of Transport of the Republic of Latvia, and the infrastructure related to port activities), and maintenance of the infrastructure owned or possessed by the Freeport of Riga Authority as well as participation in the development of the port-related infrastructure according to effective laws and regulations.
- Maintenance and servicing, technical maintenance and repair of the joint access control system, surveillance system, electronic warning system, fire alarm systems, data transfer systems, oil pollution detectors and security systems.
- Elimination of effects of pollution at the aquatorium of the Freeport of Riga.

Loss of SIA Rīgas Brīvostas Flote in 2019 amounted to EUR 2,032,610 and its share capital as at 31 December 2019 amounted to EUR 22,439,321 (2018: loss of EUR 355,200 and share capital of EUR 24,471,931).

The largest losses of SIA Rīgas Brīvostas Flote in 2019 were caused by the suspension of tugboat rental services from 6 May 2019 to 20 September 2019, as well as by the recognition of the impairment of the ice-class tugboat FOROS by determining its value based on the market price.

Taking into account the impairment of certain assets of the subsidiary, in 2019 the Authority reduced the value of the long-term financial investment in SIA Rīgas Brīvostas Flote to the EUR 22,439,321, i.e., equity value of SIA Rīgas Brīvostas Flote, recognizing the impairment of the financial investment in the amount of EUR 419,789, which is reported in the statement of income and expenses.

5) TRADE RECEIVABLES

	31.12.2019	31.12.2018.
	EUR	EUR
Trade receivables		
Port fees receivable	2,117,407	2,246,411
Receivables for berth lease	519,163	336,410
Receivables for land lease	253,232	292,201
Receivables for services provided	229,035	101,705
Receivables for infrastructure lease	101,664	2,329
Other	6,971	7,925
Allowances for doubtful debts	(329,762)	(172,332)
Total trade receivables	2,897,710	2,814,649

The increase in berth lease receivables is related to the increase in the lease receivables for berth ZO-18 reflecting a significant growth in the volume of cargo handled during the last quarter of 2019 compared to that of the prior year.

At the beginning of 2019, the Krievu sala terminals were launched. Settlements with Krievu sala infrastructure lessees for the provided services and infrastructure lease have resulted in a significant increase in receivables as of 31 December 2019.

Changes in allowances for doubtful receivables can be specified as follows:

	2019	2018
	EUR	EUR
Provisions as at 1 January	172,332	92,025
Recognized allowances for trade receivables (Note 19)	157,430	139,885
Recovered doubtful receivables (Note 19)	-	(55,303)
Used	-	(4,275)
Provisions as at 31 December	329,762	172,332

6) OTHER RECEIVABLES

	31.12.2019	31.12.2018.
	EUR	EUR
Overpayment of value added tax (Note 15)	193,038	250,482
Prepayments for services	76,884	39,081
Other	7,730	28,658
Total	277,652	318,221

7) PREPAID EXPENSES

	31.12.2019	31.12.2018.
	EUR	EUR
Insurance payments	36,727	49,818
Other	95,544	103,732
Total	132,271	153,550

8) CASH

	31.12.2019	31.12.2018.
	EUR	EUR
Cash at bank (EUR)	17,316,265	3,386,516
Cash on credit cards (EUR)	31,936	67,735
Cash at bank (USD)	19,678	32,966
Total	17,367,879	3,487,217

9) RESERVES

The surplus of the Authority is transferred to statutory reserves. As at 31 December 2019 it amounted to EUR 181,963,042 (2018: EUR 173,456,480).

Other reserves include amounts resulting from the booking of land plots received in the possession from Riga City Council and the Ministry of Transport of the Republic of Latvia at their cadastral value as at the date of registration in the Land Registry and other property received in the possession at carrying amount recognized on the books of the institution transferring the assets.

Other reserves represent also net assets resulting from the take-over of assets and liabilities transferred from the Latvian Maritime Administration, the Ministry of Defence of the Republic of Latvia, Riga Commercial Port (RCP) as a result of their reorganization, as well as financing of the Port Development Fund for the purchase of assets.

Other reserves include the following:

	31.12.2019	31.12.2018.
	EUR	EUR
Overtaken land	70,452,102	69,216,666
Reserves arising from the take-over of the business activities of Riga Commercial Port	21,912,226	21,912,226
Overtaken berths and other real estate	6,060,646	6,174,352
Overtaken buildings and constructions from Ministry of Defence of the Republic of Latvia	4,606,052	4,627,464
Overtaken reserves from the Latvian Maritime Administration	4,219,143	4,219,143
Financing from the Port Development Fund	1,252,127	1,252,127
Total	108,502,296	107,401,978

The long-term investment revaluation reserve in the amount of EUR 1,007,038 represents the revaluation of fixed assets in 1992 and 1993 in accordance with the Council of Ministers of the Republic of Latvia Resolution No. 17 dated 17 January 1992 'On the Revaluation of Fixed Assets' and the Council of Ministers of the Republic of Latvia Resolution No. 67 dated 10 February 1993 'On the Revaluation of Fixed Assets'.

For information on changes in reserves please refer to the statement of changes in equity.

10) PROVISIONS

	31.12.2019	31.12.2018.
	EUR	EUR
Provisions for litigations	6,034,720	5,283,324
Provisions for bonuses for the results of the reporting year	-	3,695
Total	6,034,720	5,287,019

Changes in provisions for litigations:

	2019	2018
	EUR	EUR
Provisions as at 1 January	5,283,324	4,866,440
Recognized provision for litigations (see Note 21)	1,496,395	1,766,006
Provisions utilised	-	(1,349,122)
Provisions reversed (see Note 21)	(744,999)	-
Provisions as at 31 December	6,034,720	5,283,324

According to the management assessment, a provision was recognized for the outcomes of litigation proceedings. Information on litigations is provided in Note 26.

As concerns the provisions for expenses that could arise from litigation, the timing of such liabilities cannot be reasonably estimated as the duration of the litigation proceedings cannot be estimated.

Changes in provisions for bonuses for the results of the reporting year:

	2019 EUR	2018 EUR
Provisions as at 1 January	3,695	-
Recognised provisions for bonuses for the results of the reporting year	-	3,695
Used	(3,695)	-
Provisions as at 31 December	-	3,695

11) LOANS FROM CREDIT INSTITUTIONS

	31.12.2019 EUR	31.12.2018. EUR
Long-term loans from credit institutions	60,892,428	66,339,810
Short-term loans from credit institutions	5,447,382	5,447,382
Total	66,339,810	71,787,192

Loans from credit institutions are the following:

	31.12.2019 EUR	31.12.2018. EUR
OP Corporate Bank plc (EUR 38.5 million)	33,687,500	35,612,500
SEB banka (EUR 38.5 million)	26,406,237	28,331,237
Nordic Investment Bank (EUR 14.3 million)	561,586	1,684,757
Nordic Investment Bank (USD 7.7 million, converted to EUR)	237,105	711,316
Long-term loans from credit institutions	60,892,428	66,339,810
OP Corporate Bank plc (EUR 38.5 million)	1,925,000	1,925,000
SEB banka (EUR 38.5 million)	1,925,000	1,925,000
Nordic Investment Bank (EUR 14.3 million)	1,123,171	1,123,171
Nordic Investment Bank (USD 7.7 million, converted to EUR)	474,211	474,211
Short-term loans from credit institutions	5,447,382	5,447,382
Total loans from credit institutions	66,339,810	71,787,192

Loans from credit institutions are the following:

	31.12.2019 EUR	31.12.2018. EUR
1) On 16 January 2006 the Authority signed the loan agreement IL No. 4636 with the Nordic Investment Bank for funds of USD 7,700,000, of which USD 4,406,196 was to be used for the acquisition of the ship 'Baltic Kristina' and USD 3,293,804 was to be used for the settlement of the guarantee issued to AS Parex banka under the assignment agreement No. C-1/02 dated 11 October 2002 and the supplement to the assignment agreement dated 17 November 2005.	711,316	1,185,527

The loan is repayable in instalments in accordance with the schedule from January 2009 to January 2021.

On 12 January 2007, the loan of USD 7,700,000 was converted to EUR 5,927,637, retaining the floating interest rate which consists of a fixed component at 0.43% per annum and a floating component equal to 6-month EURIBOR.

The loan is secured by a collateral of tugboats of SIA Rīgas Brīvostas Flote 'SANTA', 'STELLA' and 'SFINKSA'.

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	31.12.2019 EUR	31.12.2018. EUR
2) On 10 February 2006 the Authority signed the loan agreement IL No. 4637 with the Nordic Investment Bank for EUR 14,300,000 for the purchase of two new azimuthal tugboats. On 2 March 2006 an agreement was made to reduce the loan amount to EUR 14,278,000. The loan is repayable in instalments in accordance with the schedule from March 2009 to March 2021. The loan bears a floating interest rate consisting of a fixed component at 0.43% per annum and a floating component equal to 6-month EURIBOR. The loan is secured by a collateral of tugboats of SIA Rīgas Brīvostas Flote 'SANTA', 'STELLA' and 'SFINKSA'.	1,684,757	2,807,928
3) On 4 June 2018, the Authority signed the loan agreement with OP Corporate Bank plc for EUR 38,500,000, to be used for a planned refinancing of the loan in line with the loan agreement with Nordea Bank AB and OP Corporate Bank plc of 15 August 2013. According to the repayment schedule, the loan should be gradually repaid in 20 years with the planned date of refinancing on 20 June 2023. The loan bears a floating interest rate consisting of a fixed component at 1.45% per annum and a floating component equal to 3-month EURIBOR. To secure the loan the Authority has pledged five berths: KRS-3, KRS-4, KRS-5, KRS-6, KRS-7. The carrying amount of the pledged assets as at 31 December 2019 is EUR 71,835,760 (31 December 2018: EUR 73,847,805).	35,612,500	37,537,500
4) On 4 June 2018, a loan agreement was signed with AS SEB Banka for a loan of EUR 38,500,000, of which EUR 12,218,737 is to be used for a planned refinancing of the loan in line with the loan agreement with Nordea Bank AB and OP Corporate Bank plc of 15 August 2013, and EUR 26,281,263 is to be used to finance the construction of additional infrastructure under the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre'. According to the repayment schedule, the loan should be gradually repaid in 20 years with the planned date of refinancing on 20 June 2023. The loan bears a floating interest rate consisting of a fixed component at 1.46% per annum and a floating component equal to 3-month EURIBOR. To secure the loan the Authority has pledged five berths: KRS-3, KRS-4, KRS-5, KRS-6, KRS-7. The carrying amount of the pledged assets as at 31 December 2019 is EUR 71,835,760 (31 December 2018: EUR 73,847,805).	28,331,237	30,256,237
Total	66,339,810	71,787,192

As at 31 December 2019 and 2018, the reported principal amounts of loans are repayable based on the following schedule:

Year	EUR 31.12.2019	EUR 31.12.2018
2019	-	5,447,382
2020	5,447,382	5,447,382
2021	4,648,691	4,648,691
2022	3,850,000	3,850,000
2023	52,393,737	52,393,737
Total	66,339,810	71,787,192

12) ACCOUNTS PAYABLE TO SUPPLIERS AND CONTRACTORS

	31.12.2019	31.12.2018.
	EUR	EUR
Long-term accounts payable to suppliers and contractors	218,510	210,853
Short-term accounts payable to suppliers and contractors	534,325	2,301,566
Total	752,835	2,512,419
	31.12.2019	31.12.2018.
	EUR	EUR
Due for fixed assets	218,510	210,853
Long-term accounts payable to suppliers and contractors	218,510	210,853
Due for fixed assets, formation of fixed assets and construction in progress	421,672	2,173,541
Due for services	106,085	121,582
Due for stock	6,568	6,443
Short-term accounts payable to suppliers and contractors	534,325	2,301,566
Total accounts payable to suppliers and contractors	752,835	2,512,419

Long-term accounts payable for fixed assets represent the refund of berth improvement costs payable to berth lessees from increase in collected port fees.

In December 2018, the construction of additional infrastructure within the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' was completed. As at 31 December 2018, the majority of short-term accounts payable to suppliers and contractors were costs of construction completed in December.

13) OTHER LIABILITIES

	31.12.2019	31.12.2018.
	EUR	EUR
Remuneration	418,803	444,623
Port fees payable to Riga City Council	273,988	300,593
Other	144,576	1,768
Total other liabilities	837,367	746,984

According to the 'Law on Ports', the Authority is to make a payment of 10% of the tonnage, canal, small ship, anchorage and cargo fees to the budget of the municipality, which in 2019 amounted to EUR 3,212,966 (2018: EUR 3,485,287).

14) DEFERRED INCOME AND ADVANCES RECEIVED FROM THE EU FUNDS

	31.12.2019	31.12.2018.
	EUR	EUR
Long-term deferred income	68,756,656	71,077,236
Short-term deferred income	2,351,399	2,341,206
Total	71,108,055	73,418,442
	31.12.2019	31.12.2018.
	EUR	EUR
Funding from the EU Cohesion Fund	66,716,891	68,983,040
Grant for the development of the public infrastructure of the Port	1,944,029	1,996,285
Financing from the Port Development Fund	95,736	97,911
Long-term deferred income	68,756,656	71,077,236
Funding from the EU Cohesion Fund	2,266,149	2,266,149
Grant for the development of the public infrastructure of the Port	52,256	51,871
Land lease	30,819	17,315
Financing from the Port Development Fund	2,175	5,871
Short-term deferred income	2,351,399	2,341,206
Total deferred income	71,108,055	73,418,442

On 23 April 2018 the Authority and the Central Finance and Contracting Agency concluded an agreement on the implementation of the EU Cohesion Fund funded project 'Construction of the Flyover from Tvaika Street to Kundzinsala'. The total expenditure of the project is planned to be EUR 40.4 million, of which eligible expenses are EUR 33.3 million, funding from the EU Cohesion Fund accounts for 74.11% of eligible expenses, not exceeding EUR 24.7 million. As a result of the open tender procurement procedure, on 16 December 2019, the Authority concluded the contract for the construction of the flyover from Tvaika Street to Kundzinsala with the contractor selected within the open tender for the development of the construction project, construction and field supervision works. The total contract price of the construction contract is EUR 39.77 million. On 23 December 2019, the Authority received an advance payment of EUR 9,349,816 in respect of the funding from the EU Cohesion Fund.

On 27 August 2019, the Authority received an advance payment of EUR 29,354 from the European Regional Development Fund for the project 'Improvement of sailing infrastructure and yacht harbours network building in Estonia and Latvia (EST-LAT Harbours)'. Within the project, the Authority is improving the infrastructure of Kipsala's yacht port. The planned amount of eligible expenses for the project is EUR 451,304, of which the funding by the European Regional Development Fund is EUR 383,608 or 85%. The project "Improvement of Kipsala yacht port infrastructure" is planned to be completed in 2020.

On 29 March 2012 the European Commission passed Decision No C(2012)2005 regarding the provision of the Cohesion Fund financing to the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre'. The construction work intended within the project was completed in 2015 and all buildings were put into operation. See 'Information on the development of Krievu sala' under Note 27.

EU funds received for the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' until 31 December 2017 amounts to EUR 75,826,995. The monitoring period for the project expires at the end of 2025.

From 1 January 2014 to 1 January 2017 amendments to the 'Law on Ports' were in force which required port authorities to make payments for the use of the state strategic infrastructure.

Until 1 January 2017, Cabinet of Ministers Regulations No. 339 of 17 June 2014 'Procedure for making payments to the state budget for the use of the state strategic infrastructure and spending of financial resources received' was in effect and stipulated that the Authority as the manager of the public infrastructure related to port operations was awarded a grant for the dredging of the port aquatorium and waterways and depth maintenance works and for the development of the public infrastructure of the port in the amount of 90% of the payment made to the state budget for the use of the state strategic infrastructure.

In 2016 and 2015 grants were received for 2014 and 2015 for the development of the public infrastructure of the port. As at 31 December 2019 and 2018, the remaining part of the grant disclosed under deferred income amounts to EUR 1,996,285 and EUR 2,048,156 respectively.

15) TAXES AND COMPULSORY STATE SOCIAL SECURITY CONTRIBUTIONS

	31.12.2018	Calculated	Reclassified or refunded	Paid	31.12.2019
	EUR	EUR	EUR	EUR	EUR
Value added tax (see Note 6)	(250,482)	(924,875)	1,138,480	(156,161)	(193,038)
<i>Delay money calculated by the SRS for VAT</i>	-	-	-	-	-
Compulsory state social security contributions	207,175	2,649,184	-	(2,662,059)	194,300
<i>Delay money calculated by the SRS for social contributions</i>	-	-	-	-	-
Personal income tax	110,685	1,391,995	-	(1,400,178)	102,502
<i>Delay money calculated by the SRS for personal income tax</i>	-	3	-	(3)	-
Real estate tax (see Note 16)	22,849	714,404	-	(496,615)	240,638
Natural resources tax	1,514	1,440	-	(1,514)	1,440
Total	91,741	3,832,151	1,138,480	(4,716,530)	345,842
<i>incl. payable</i>	342,223				538,880 *)
<i>receivable</i>	(250,482)				(193,038)

*) In June 2020, a decision was received on the recalculation of real estate tax, presented as accrued liabilities in the amount of EUR 240,630, covering the period from 1 July 2017 to 31 December 2019 (EUR 96,252 is included in the item Cost of services and EUR 144,378 for the period up to 2019 is included in the item Other operating expenses).

16) ACCRUED LIABILITIES

	31.12.2019 EUR	31.12.2018. EUR
Accrued liabilities for purchase of services	1,182,635	1,147,863
Vacation pay accruals	495,490	535,683
Accrued liabilities for real estate tax (see Note 15)	240,630	-
Accrued interest payable	31,406	35,084
Accrued liabilities for construction in progress	3,733	422,676
Other	-	33
Total	1,953,894	2,141,339

17) NET SALES

	2019 EUR	2018 EUR
Port fees	38,525,319	42,033,499
Lease of berths	2,618,317	2,554,647
Land lease	1,583,197	1,614,558
Electricity	1,323,873	333,664
Infrastructure lease on Krievu sala	1,283,440	-
Security	662,958	626,396
Lease of railway infrastructure	657,533	-
Real estate lease	197,543	233,297
Passes	47,855	49,453
Water supply	38,959	27,459
Other	22,572	17,810
Total	46,961,566	47,490,783

Decrease in the Authority's revenue from port fees is related to the decrease in the number of vessels entering the Port of Riga and the volume of cargo handled in 2019.

In February 2019, the Authority leased the newly built Krievu sala infrastructure to the stevedores and started to collect lease payments for the infrastructure lease and fee for supplied electricity.

In January 2019, the Authority leased the public railway infrastructure objects of the railway station Krievu sala to VAS Latvijas Dzelzceļš.

18) COST OF SERVICES

	2019	2018
	EUR	EUR
Depreciation and amortization	12,009,668	8,693,785
Wages, salaries and compensations	4,320,593	4,562,512
Port fees payable to the municipal budget (see Note 13)	3,212,966	3,485,287
Fees for private berths	1,804,834	1,929,414
Fee for electricity	1,417,099	495,134
Collection and management of ship waste	1,295,961	1,404,725
Management of port infrastructure	1,274,831	1,388,791
Pilot transfer services	1,079,972	1,182,150
Compulsory state social security contributions	1,016,391	1,070,469
Ice breaking services	1,010,000	1,370,949
Fee for the berth ZO-18	580,694	540,809
Maintenance of navigation equipment	555,240	555,240
Real estate tax	535,203	426,546
Repairs and maintenance	492,603	757,912
Hydrography services	332,978	333,315
Passenger fees refundable to the owners of berths	323,233	326,658
Insurance	218,292	237,795
Nature protection	88,937	82,581
Maintenance of premises and territory	87,603	86,402
Maintenance of vehicles	72,700	78,664
Purchase and write-off of low-value items	63,881	115,707
Materials	46,986	53,940
Staff training	40,613	23,059
Fuel	34,433	49,362
Communication expenses	31,938	42,168
Other	149,526	248,221
Total	32,097,175	29,541,595

The cost of services provided comprises costs directly connected to the services provided by the Authority, including the costs of the Port Police and Freeport Harbour Master Office.

In 2019, depreciation of fixed assets has increased significantly:

- in December 2018, an additional infrastructure of EUR 43.6 million was put into operation on Krievu sala;
- At the beginning of 2019, the Krievu sala terminals started operating and the application of the reduced depreciation rate to the infrastructure of Krievu sala put into operation in December 2015 was abolished;
- In April 2019, berths PM-20 and PM-21 were recognized by the Authority on the balance sheet at EUR 18.4 million.

The increase in electricity costs in 2019 relates to the provision of electricity to the Krievu sala terminals and is directly related to the increase in income.

19) ADMINISTRATIVE EXPENSES

	2019	2018
	EUR	EUR
Wages, salaries and compensations	3,325,801	3,266,494
Advertisement expenses	1,226,059	1,371,618
Compulsory state social security contributions	795,993	782,824
Representation expenses	327,304	339,664
Repairs and maintenance	258,187	314,330
Depreciation and amortization	252,635	296,269
Legal services	161,587	146,290
Changes in allowances for doubtful receivables with an impact on the statement of income and expenses	157,430	84,582
Business trip expenses	153,355	160,955
Contributions to the Port Development Fund	111,000	95,036
Maintenance of vehicles	107,592	97,261
Payments to cooperation organisations	104,393	114,955
Insurance	100,585	98,217
Stationery and office items	96,451	81,245
Maintenance of premises and territory	93,819	88,233
Purchase and write-off of low-value items	48,940	40,894
Real estate tax	34,818	34,818
Fuel	30,737	30,626
Communication expenses	28,920	24,900
Annual report and audit	17,500	13,260
Development of Port of Riga development programme	3,500	189,450
Other	230,803	225,933
Total	7,667,409	7,897,854

Administrative expenses include expenses related to the performance of the port management functions assigned to the Authority under the 'Law on Ports', the 'Law on the Freeport of Riga' and by-laws of the Freeport of Riga Authority.

Personnel costs*

	2019	2018
	EUR	EUR
Salaries	7,646,394	7,837,804
Compulsory state social security contributions	1,812,384	1,855,412
Other costs	124,263	126,393
Total	9,583,041	9,819,609

	2019	2018
	EUR	EUR
Members of the Board	365,480	364,796
Total	365,480	364,796

	2019	2018
	EUR	EUR
* Personnel costs capitalised to fixed assets	-	10,917
Total	-	10,917

Average number of employees:

	2019	2018
Members of the Board	8	8
Other personnel	285	299
Total	293	307

Services provided to the Authority by the commercial company of certified auditors:

	2019	2018
	EUR	EUR
Other expert engagements	75,110	5,710
Statutory audit of the annual report	17,500	13,260
Tax advice	3,600	3,600
Total	96,210	22,570

20) OTHER OPERATING INCOME

	2019	2018
	EUR	EUR
CF funding for the development of infrastructure on Krievu sala allocated to income	2,266,149	1,608,906
Financing received in other periods which is attributable to the current reporting period	57,742	280,312
Gain on disposal of fixed assets, net	52,016	71,449
Fines and contractual penalties received	40,162	108,663
Reimbursement of expenditures of the EU and other fund projects	36,399	48,245
Gain from the sale of current assets	4,168	6,846
Gain on currency exchange rate fluctuations, net	-	1,393
Other	8,069	9,100
Total	2,464,705	2,134,914

21) OTHER OPERATING EXPENSES

	2019	2018
	EUR	EUR
Provisions for litigation proceedings (see Note 10)	751,396	1,766,006
Real estate tax attributable to previous periods	144,383	(9,710)
Write-off of obsolete, unrealizable projects (see Note 3)	66,678	956,898
Expenses for the elimination of damages caused by storms and accidents	26,349	12,564
Depreciation of fixed assets	18,966	6,177
Injury at work compensation to former employees of RCP	11,108	10,809
Expenses for dismantling of buildings and constructions	4,662	263
Loss from currency exchange rate fluctuations, net	1,973	-
Expenses attributable to the previous reporting periods	(1,325)	(4,772)
Impairment allowances for fixed assets (see Note 3)	-	34,689
Other	53,402	54,466
Total	1,077,592	2,827,390

22) INTEREST AND SIMILAR EXPENSES

	2019	2018
	EUR	EUR
Loan interest payments	981,112	987,413
Total	981,112	987,413

23) RELATED PARTY TRANSACTIONS

The Authority's transactions and outstanding balances with the subsidiary SIA Rīgas Brīvostas Flote are the following:

	2019	2018
	EUR	EUR
Income from sales of products and services	160,958	230,622
Total income	160,958	230,622
Expenses for services and goods received	(5,275,542)	(5,753,173)
Total	(5,275,542)	(5,753,173)
	31.12.2019	31.12.2018
	EUR	EUR
Due from the related party	9,381	10,978
Accrued income	56	-
Total due from a related party	9,437	10,978
Accrued liabilities	594,151	827,001
Due to related parties	53,063	-
Advance payments received for services	2,464	4,801
Total liabilities to related parties	649,678	831,802

The Authority's investments in share capital of the subsidiary are described in Note 4.

The Authority's transactions and outstanding balances with the related parties via the Members of the Board of the Authority are the following:

	2019	2018
	EUR	EUR
Expenses for services	(38,877)	(38,136)
Total	(38,877)	(38,136)
	31.12.2019	31.12.2018
	EUR	EUR
Accrued liabilities	4,365	-
Accounts payable to suppliers and contractors	-	3,788
Total liabilities to related parties	4,365	3,788

Remuneration to the Board is described in Note 19.

24) FINANCIAL RISK MANAGEMENT

The Authority's operations are exposed to credit risk, foreign currency risk and interest rate risk. The management minimises the negative effect of potential financial risks by balancing the currencies of revenue with the currencies of loans.

Currency risk. The Authority executes transactions in U.S. dollars and EUR. To minimise foreign currency risk, the Authority maintains the principle that its main revenues – port fees – are received in the same currency as bank loans, thus excluding significant changes in profit/ loss depending on the currency exchange rate fluctuations.

The Authority's financial assets and liabilities exposed to currency risk include cash and cash equivalents, trade receivables and accounts payable to suppliers and contractors. The Authority is primarily exposed to currency risk related to U.S. dollars. The Authority's exposure to currency risk in U.S. dollars as at 31 December 2019 and 2018 is as follows:

	31.12.2019	31.12.2018
Financial assets denominated in USD (cash, trade receivables)	421,966	324,104
Financial liabilities denominated in USD (trade payables)	(172,506)	(125,605)
Total USD	249,460	198,499
Total EUR	222,058	173,362

Interest rate risk. The Authority has long-term loans from credit institutions with floating interest rates; therefore the Authority is exposed to the risk of the interest rate increase. Changes in interest rates are in line with the overall fluctuations on the financial market. The Authority does not implement any hedging measures.

Liquidity risk. The Authority manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time. The Authority keeps certain amounts of cash at the bank and uses short-term and long-term credit resources to settle its short-term liabilities.

Credit risk. The Authority is potentially exposed to a certain concentration of credit risk mainly through cash and trade receivables. Trade receivables are carried at recoverable amount. The Authority has introduced and observes a credit policy ensuring that its main revenues – port fees – are 100% collected. The Authority's partners in cash transactions are local financial institutions with appropriate credit history.

25) OFF-BALANCE SHEET ASSETS

Based on the 'Law on Ports' and the Ministry of Transport Order No. 115 of 2 August 2001 'Defining the Areas for Management of Navigation Equipment and Transfer of Navigation Equipment to Possession of Port Authorities', movable and immovable properties were transferred by BO VAS 'Latvian Maritime Administration' to the Authority. The carrying amount of those properties as at 1 September 2001 was EUR 623,495. The Authority has no information available as to how the depreciation of those assets is recorded and, therefore, the assets are recognised as off-balance sheet items at their value on the date when the assets were received. Off-balance sheet assets are derecognised when the respective right of possession ceases. As at 31 December 2019, the carrying amount of those fixed assets was EUR 553,379.

Based on the 'Law on Ports' and the 'Law on the Freeport of Riga', the land of 1,297 ha in the territory of the Freeport of Riga owned by the state and the municipality and registered in the Land Registry is recognized on the balance sheet of the Authority. As disclosed in Note 3 to the financial statements, this comprises only 71 % of the overland territory of the Freeport of Riga. There is also land with the total area of 475 ha (including 91 ha of a nature park and restricted areas) that has not been registered in the Land Registry. 59 ha of the unregistered land are recognized as an off-balance sheet asset of the Authority.

26) LITIGATION AND CONTINGENT LIABILITIES

- On 16 November 2016, AS PKL Flote submitted a claim to the Administrative Regional Court seeking to deem unlawful and revoke Decision No. 147 made by the Authority's Board on 7 October 2016 by which it denied the claim of AS PKL Flote for damages in the form of unearned profit of EUR 2,527,592 incurred as a result of the Authority's decision of 11 November 2010 not to extend the agreement signed with AS PKL Flote on 26 September 2003 for tugboat services in the Freeport of Riga. Additionally, it is requested by AS PKL Flote in its claim application to set an obligation for the Authority to repay the damages incurred by AS PKL Flote of EUR 2,527,592 within one month of the date of the final decision in the case. On 05 December 2017 AS PKL Flote filed amendments to the claim application by which it reduced the amount of damages to EUR 2,236,698. On 28 March 2018 the Administrative Regional Court reviewed the application of AS PKL Flote on its merits and the application was fully rejected by the judgement of the Administrative Regional Court of 18 April 2018. AS PKL Flote appealed this judgements and appellate litigation was commenced. The next court hearing is set on 19 August 2020.

In 2016, the Authority accrued and recognised in the balance sheet as at 31 December 2018, 2017 and 2016 provisions of EUR 1,263,796 (50% of the initial claim amount) for the claim of AS PKL Flote. Additional provisions in the amount of EUR 525,563 was made by the Authority in 2019. As at 31 December 2019, the Authority has recognised provisions of EUR 1,789,359 (80% of the adjusted claim amount) as there is uncertainty related to the outcome of the litigation.

- On 9 May 2018, proceedings have been initiated against the Authority, in which AS PKL Flote has filed a claim against the Authority for the collection of lost profit for the period from 19 April 2009 to 1 October 2009 and lawful interest of EUR 1,214,353. AS PKL Flote indicates that the lost profit has been incurred by unlawful restriction of competition in the field of provision of tugboat services. By the judgement of the Latgale Suburb Court of Riga of 15 November 2019, the claim of AS PKL Flote was satisfied, collecting EUR 1,312,626 from the Authority, incl. lawful interest until 17 September 2019. The Authority appealed the judgement. On 3 January 2020 the Riga District Court made the decision to decline to initiate appellate litigation. The Authority executed the judgement on 2020 by paying EUR 1,312,626 to AS PKL Flote.

In 2018, the Authority accrued and recognised in the balance sheet as at 31 December 2018 provisions of EUR 607,177 (50% of the claim amount) for the claim of AS PKL Flote. In 2019 the Authority increased the provision by EUR 705,449. As at 31 December 2019, the provision amounted to EUR 1,312,626 has been recognized in the balance sheet.

- On 4 April 2019, proceedings have been initiated against the Authority, in which AS PKL Flote has filed a claim against the Authority for the collection of lost profit for the period from 1 January 2010 to 12 September 2010 and lawful interest payments of EUR 742,111. AS PKL Flote indicates that the lost profit has been incurred by unlawful restriction of competition in the field of provision of tugboat services. In 2019, AS PKL Flote increased the claim amount to EUR 795,548. The case is still not open for examination.

In 2018, the Authority accrued and recognised in the balance sheet as at 31 December 2018 provision of EUR 371,056 (50% of the initial claim amount) for the claim of AS PKL Flote. Additional provisions in the amount of EUR 265,383 was made by the Authority in 2019. As at 31 December 2019, the Authority has recognised provisions of EUR 636,439 (80% of the adjusted claim amount) as there is uncertainty related to the outcome of the litigation.

- The partnership BMGS S has filed a claim against the Authority for the reimbursement of idle time expenses of EUR 1,489,999 as the result of suspending construction work under the Authority's procurement 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' and for the collection of lawful interest payments up to the date the judgement is carried out. The construction work was suspended on the basis of the application filed on 4 June 2012 by SIA Rīgas Centrālais Termināls to Riga City Construction Board to contest the construction permits according to administrative proceedings. As a result of the activities carried out by the Authority, the construction permits were re-established by the decision issued by the Administrative District Court on 9 November 2013. On 20 November 2013, the claim filed by the partnership BMGS S was examined by the Riga District Court on its merits and the court decided to satisfy the claim for the collection of idle time expenses of EUR 1,489,999 but reject the claim for the collection of lawful interest payments. The Authority appealed the judgement to the Chamber of Civil Proceedings of the Supreme Court of the Republic of Latvia. The case was examined at the instance of appeal on 21 January 2016 and the court decided to reject this claim completely. On 29 July 2016, the partnership BMGS-S submitted a cassation claim to the Chamber of Civil Proceedings of the Supreme Court of the Republic of Latvia, which made the decision to accept the cassation claim on 1 August 2016. On 31 January 2017 the Chamber of Civil Proceedings of the Supreme Court made the decision to examine the case in cassation. On 27 August 2018, the Chamber of Civil Proceedings of the Supreme Court decided to cancel the judgement of 21 January 2016 in full and have the case examined anew. By the decision of the Riga District Court of 28 October 2019, the claim of the partnership BMGS S was rejected. By the decision of the action meeting of the Senate of 9 March 2020, it was declined to initiate cassation proceedings. The proceedings have been completed.

In 2018, the Authority accrued and recognised in the balance sheet as at 31 December 2018 provisions of EUR 744,999 (50% of the claim amount) for the claim of the partnership BMGS S. In 2019, the Authority reduced the provisions for litigations by the amount of the provision for this litigation.

- Moreover, on 15 January 2016, the partnership BMGS S raised a claim versus the Authority to collect a compensation of EUR 4,592,593 for additional costs incurred by the partnership BMGS S as the Main Contractor in the performance of work under contract No. UZL-20/12 dated 2 April 2012 with regard to the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre'. In its claim BMGS S indicates that during the performance of the contract it faced a number of unforeseen circumstances that required additional work which resulted in additional costs that are to be collected from the Authority. By the court decision of 15 June 2018 the claim by BMGS S was rejected. Partnership BMGS-S appealed this judgement and on 7 August 2018 appellate litigation was commenced. On 24 April 2019 the court made a decision on making expertise.

In 2015, the Authority created and in the balance sheet as at 31 December 2019, 2018, 2017, 2016 and 2015 recognised provisions of EUR 2,296,296 (50% of the claim amount) for the claim of partnership BMGS S, as the outcome of the litigation is uncertain.

- SIA Spilve International Business Park has filed a claim against the Authority concerning the collection of compensation for a servitude of EUR 284,033, value added tax of EUR 59,647 and real estate tax of EUR 32,202 and the collection of lawful interest payments of 6% per year. SIA Spilve International Business Park requests to recognize its right to receive from the Authority compensation for the servitude in the amount of 5% of the cadastral value of the land plot at Voleri, Reinberģi 16, Riga, starting with 25 November 2004 without limitation of the term. On 25 March 2014 the Authority filed a request to the Riga District Court to suspend this litigation on the ground that Riga City Council had issued a decision to change the purpose of use of the said land plot which could significantly impact the amount of the claim; however, this decision of Riga City Council was appealed by SIA Spilve International Business Park to the Administrative Regional Court. On 9 April 2014 the case was examined by Riga District Court on its merits and the court decided to postpone the examination to 27 October 2014. On 27 October 2014 Riga District Court decided to suspend the court proceeding until the final judgement comes into effect in the administrative case regarding the revocation of the decision by the Finance Department of Riga City Council on the change of the purpose of use of the said land plot. On 14 January 2016 Riga District Court made the decision to transfer the case for examination to Riga City Ziemeļu District Court which on 15 January 2016 made the decision to suspend litigation as the case was being examined by another court. In 2019, the proceedings have been completed.

No provision was made for litigation with SIA Spilve International Business Park.

The Authority is involved in a number of other pending litigation proceedings. No provisions have been recognized for these litigation proceedings as the Authority believes the claims are not substantiated and a material outflow of economic benefits is not expected.

27) IMPORTANT AGREEMENTS

Information on the development of Krievu sala

In accordance with Riga Development Plan and the development programme by the Freeport of Riga, in 2006 the Authority commenced infrastructure development on Krievu sala in order to ensure port infrastructure for stevedore operations.

The aim of the project is to prevent environmental degradation in the territories of Andrejsala and Eksportosta caused by port activities, and to retain the Port's competitiveness in the Baltic Sea region relocating port terminals to a location more suitable for port operations. In accordance with the EC Adopted Guidelines on Closure the status of a non-functioning project for the period when the stevedores build their individual infrastructure on Krievu sala, install technologies and commence cargo handling operations can be applied and the aim of the project achieved by March 2019.

As part of project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' the construction of the general infrastructure was completed using the co-funding of the EU Cohesion Fund and the following was commissioned at the end of 2015: 4 deep-water berths, railroad tracks, 5 motor roads, including access roads to the Krievu sala terminal and internal roads of the terminal, engineering communications – water, sewage, electricity, gas, telecommunications, wastewater treatment facilities, administrative building – for customs control, management of the railway, port security, and other administrative functions.

To ensure functionality of the project and reach the targets set, from 2016 to 2018 the Authority and stevedores who are moving their operations to Krievu sala carried out additional construction of infrastructure, construction of administrative and technological structures, installation and supply of technological equipment, mechanisms and machinery.

Within additional infrastructure construction the Authority has constructed the following:

- cargo site of 6.4 ha for stevedores equipped with rainwater drainage and decontamination system and water supply system to ensure water for coal watering;
- four additional public railway tracks for Krievu sala railway station;
- technological railways;
- 23-meter high dust fence surrounding stevedores' cargo sites;
- additional roads, sites, electric supply networks and appliances, water and rainwater drainage networks and appliances, gas supply networks.

At the same time stevedores built the following in their lease territories:

- internal technological and service railway tracks;
- administrative and technological buildings and specialised technological equipment for cargo handling;
- equipment for dust control.

Construction works are finished and the buildings have been commissioned at the end of 2018. The estimated capacity of the terminals is 15-20 million tons per year.

Until 31 December 2018 the Authority has invested EUR 43.6 million in the development of additional infrastructure.

Stevedores have built administrative and technological buildings in their rental areas, and have installed specialized equipment for unloading, crushing, transporting and loading coal in ships. From February 2019, a full cargo handling cycle is being carried out on Krievu sala – coal cargoes are delivered to the terminal by railway wagons and loaded onto ships for delivery to various destinations.

In 2019, the Authority continued to improve the infrastructure built in the territory of Krievu sala – installed road signs, improved the electricity metering system and built an additional hard surface (pavement) in the dry bulk storage area of SIA RIGA COAL TERMINAL, investing EUR 48,279.

As of March 2019, coal loading and storage has been terminated in the centre of Riga at Exportosta and its surrounding territories. Continued use of the territory is in accordance with the current local plan of Eksportosta – in the northern part of the territory, non-polluting cargo operations will continue, while in the southern part the land infrastructure and warehouses of passenger ships, boats and yacht ports and berths are allowed. Currently there are no cargo handling operations at the territory of Andrejsala and its further development is planned in accordance with the effective spatial planning documents.

The main result indicator of the Cohesion Fund project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' – reduced environmental pollution is higher than planned – EUR 24 million (indicative discounted value) instead of the estimated EUR 22 million. The project is functional.

On 29 March 2019, the Ministry of Finance of the Republic of Latvia informed the Authority that the European Commission has been informed about the completion of the project 'Development of Infrastructure on Krievu sala for the Transfer of Port Activities from the City Centre' and the achievement of the objective.

Leases

The Authority, as a lessor, has signed 188 operating lease agreements on land, constructions and premises. According to the effective lease agreements, in future reporting periods the Authority is to receive the following lease payments:

	Lease of land EUR	Lease of other assets EUR	TOTAL EUR
One year	1,586,726	4,020,720	5,607,446
2 – 6 years	7,746,098	18,432,407	26,178,505
More than in 6 years	27,167,356	57,205,987	84,373,343

The Authority as a lessee has concluded operative lease agreements for the lease of real estate and full-service car lease. According to the lease agreements, future lease payments are the following:

	For real estate rent EUR	For vehicle lease EUR	TOTAL EUR
One year	272,716	123,898	396,614
2 – 6 years	1,345,365	51,414	1,396,779
More than in 6 years	2,201,698	-	2,201,698

28) SUBSEQUENT EVENTS

- On 1 February 2020 Cabinet of Ministers of the Republic of Latvia Regulation of 29 May 2012 No. 378 'The Regulations of the Freeport of Riga Authority' expired and Cabinet of Ministers of the Republic of Latvia Regulation of 28 January 2020 No. 61 'The Regulations of the Freeport of Riga Authority' become effective.
- For information about changes in the Board please refer to page 4 of the financial statements.
- On 14 February 2020 within the EU Cohesion Fund project 'Construction of the Flyover from Tvaika Street to Kundzinsala' the Authority paid an advance payment of EUR 9,349,816 for the development of construction project, construction and field supervision of the project 'Construction of the Flyover from Tvaika Street to Kundzinsala'.
- On 7 May 2020, the Authority paid AS PKL Flote EUR 1,312,626 in accordance with the judgement of the Latgale Suburb Court of Riga of 15 November 2019, which satisfied the claim of AS PKL Flote for the collection of lost profit incurred by unlawful restriction of competition in the field of provision of tugboat services for the period from 19 April 2009 to 1 October 2009 and lawful interest payments.
- On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020, that has been prolonged on 7 April and 7 May 2020. Responding to the potentially serious threat the COVID-19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments. In particular, airlines, sea carriers and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums were closed or restricted their activities. Many businesses in Latvia instructed employees to remain at home and some have curtailed or temporarily suspended business operations. Similar measures are taken by other European countries and other regions affected by the pandemic. The state of emergency announced by the Latvian government was in force until 9 June 2020.

On 22 March 2020 the 'Law on Measures to Prevent and Overcome the National Threat and Combat its Consequences in Relation to the Spread of the Disease Caused by COVID-19' entered into force on the next day after ratification with retrospective effect from the date the state of emergency was declared, i.e. 12 March 2020. The 'Law on Measures to Prevent and Overcome the National Threat and Combat its Consequences in Relation to the Spread of the Disease Caused by COVID-19' was in force until 10 June 2020. The 'Law on the Suppression of Consequences of the Spread of COVID-19 Infection' is in force as of 10 June 2020.

Cargo shipments in the port of Riga have not been significantly affected by the outbreak of Covid-19 infection. Passenger shipments through the port of Riga were disrupted during the state of emergency. Port of Riga is primarily the cargo port, while income from ferry and cruise ship port fees represents only 8% of the Authority's net sales. The Authority's sales has decreased in recent months and was 15 % less in the first five months of 2020 compared with the same period of 2019. However, the management assesses the sales at the beginning of 2020 as stable and believes that the Authority's operations have not been significantly disrupted as a result of the outbreak of Covid-19 infection.

Based on the publicly available information at the date these financial statements were authorized for issue, the management has considered the potential development of the outbreak and its expected impact on the Authority and economic environment in which the Authority operates, including the measures already taken by the Latvian government and governments in other countries.

In order to safeguard uninterrupted operating activities and the Authority's liquidity position, management has implemented a number of measures the key of which are:

- the 2020 budget was adjusted for investments by reducing it by EUR 4.6 million in order to create a cash flow reserve;
- budget costs for 2020 have been optimized at the business trip, marketing and public relations expenses;
- implementation of a work-from-home program on a rotational basis for a significant group of administrative employees;
- employees have been trained to adhere to very strict precautionary standards including social distancing.

Based on currently publicly available information, the Authority's current KPI's and in view of the actions initiated by management, Authority's management does not anticipate a direct immediate and significant adverse impact of the Covid-19 outbreak on the Authority operations, financial position and operating results.

The management cannot, however, exclude the possibility that the negative impact of the imposition of lock downs and safety measures on the economic environment in which the Authority operates will not have a significant adverse effect on the Authority, its financial position and operating results, in the medium and longer term. The management is closely monitoring the situation and will take all the steps to minimise the impact of new events and conditions.

No other significant subsequent events have occurred in the period from the reporting date to the date of these financial statements that would have a material impact on the financial statements and require adjustments to be made to these financial statements or that require disclosures to be added to the notes thereto.



Ansis Zeltiņš
Chief Executive Officer



Santa Šveda
Chief Accountant

17 June 2020

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