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COMPARATIVE STUDY OF ANNUAL REPORTING PRACTISES IN THE
BALTIC COUNTRIES

Bachelor Thesis

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I have written this bachelor thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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Introduction

Accounting is a vital part of business that is inevitable and necessary for internal users and external users at the same time. In many countries across the world, financial reporting is required by the law, to give detailed overview of a company's finances to its' stakeholders. There are two organizations that set the groundwork and the regulations for financial reporting which are the International Financial Reporting Standards (IFRS) organization and the Generally Accepted Accounting Principles (GAAP) in the USA. According to the IFRS, financial reporting is important due to three reasons. The first being that it encourages transparency in business by making it easier to compare and raising the quality of companies' financial statements. All thanks to this, stakeholders can make informed decisions regarding management and future of the company. The second benefit of the IFRS Accounting Standards is that it holds responsible companies as receivers of capital through loans or any other way by the lenders of the money, be it by realising shares or debt. The last but not least advantage of the IFRS system is that it is efficient. All the data is given in one form which makes it easier to navigate through lowering the costs and cost of capital of firms at the same time.

Since this thesis will examine three countries, Estonia, Latvia and Lithuania, then the focus is going to be divided between the requirements of each of those countries regarding their financial statement and annual reporting practises. Since all three Baltic States follow the IFRS Accounting Standards regarding domestic public companies and foreign companies there are going to be many similarities in reporting, but since IFRS Accounting standards do not apply to SMEs in any of those three countries then there the most change can be found. This leads to the research aim of this paper which is to identify the differences and similarities in disclosure practises of annual and financial reporting of SMEs from the investors' perspective in the Baltics. Research tasks formulated by the author are:

- Explain the objective of financial and annual reporting
- Establish the realms of investors' perspective and how does the legal framework support it
- Summarize the Law of Obligations Act regarding financial reporting in Estonia, Latvia and Lithuania
- Conduct interviews with auditors for in-depth view of annual reporting consumption

- Compare each country's companies' annual and financial reports and highlighting the findings

Reviewing the research gap and the work that has been previously published in this field, it can be seen that Baltic States have not been taken under examination. Much research has come from Asia. For example, Ghazali (2010) researched the usefulness and importance of corporate financing in Malaysia where he concluded that annual reports are important for analyst if they want to make informed investment decisions. Khatun et. al (2016) also provided empirical evidence of importance of annual reporting in Bangladesh where it was said that a company must be thoroughly judged before making an investment decision.

The structure of the bachelor thesis can be divided into two parts, where the first part will introduce the readers to the background of financial reporting as well as annual reporting and stating their differences. The discussion is going to be trying to explain why this information is published and for who it is published. In this part, reader will get acquainted the aim of the financial and annual reporting as well as the results that it brings.

The second part is where the author of this paper is going to dive deeper into the investment side of the reporting industry, explaining who investors are and what are they looking for in annual and financial reports. This part hopes to present to the reader the positive and negative aspects of the adoption and implantation of international standards and highlight the aspects of reports that might benefit or mislead potential investors.

Keywords: financial reporting, annual reporting, investor, Baltic States

1. Theoretical framework of annual reporting practise analysis

1.1 Objective of annual and financial reporting

Before diving into the part about objectives of annual and financial reports it is necessary to define them in order to be concise later on in the bachelor thesis. Both annual and financial reports are particularly important in the field of disclosure. They both provide a unique insight into company's performance and finances. Even though, both annual and financial reports provide understanding of a company's well-being there are quite a few differences in their presentations.

An annual report is a document that is publicly available which is constructed in accordance with the mandatory reporting requirements. Modern annual reports use tools of marketing, communication theory and management to create an overview of a company. (Stanton & Stanton, 2002) An annual report typically should include less non-financial pages than financial pages (Gibson, 2009).

A financial report, on the other hand, usually consists of financial statements which are income statement, statement of cash flows and balance sheet. As defined by Alslihat et al. (2017) financial statements show information about earnings and costs during a specific period and financial strategies of a business, firm or corporation. For better understanding of the order of magnitude of these reports then it is worth mentioning that annual reports are the summary of all disclosures. Annual reports include financial reports and non-financial reports. Financial reports consist of many different financial statements mentioned above. (Gibson, 2009).

With clear distinction between the reports, it is possible to move to the whole reason of their existence and analyse the different definitions given to the objectives of reporting.

According to the IFRS (2018, p. A19) "the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. Those decisions involve decisions about:

- buying, selling or holding equity and debt instruments.
- providing or settling loans and other forms of credit; or
- exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources."

Since this thesis will focus on SMEs in the empirical part it is also important to describe to the reader what is an SME. According to the website of European Commission (n.d.) and SME is a small and medium-sized enterprise and out of all businesses in the European Union, SMEs stand for 99% of them. European Commission has set in place their own limits to categorize SMEs which the reader can find in Table 1.

Table 1.

SME classification

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: European Commission (n.d.)

As SMEs represent the majority of entrepreneurship in the EU then it seems appropriate to focus on them regarding this bachelor thesis. In addition, to their weight in business in Eu they have looser restrictions in the legal framework around them having less obligations and responsibilities in front of the government.

Lennard (2007) defined the objective of reporting as “to enable management to account to investors on the state of the entity’s financial affairs and changes in those affairs, to assist in assessing the results achieved under management’s stewardship and the strategies employed and risks undertaken that have led to those results.”

Corporate annual reports can also be viewed as opportunities for image creation in the public sphere for companies. They are an incredibly useful source of information for stakeholders because they signal the important aspects of a company through the reporting mechanisms. In order to derive maximum value from the annual reports, it is necessary to categorize qualitative and quantitative data which can be used to create patterns which can help predict the future of the company or explain the past. Annual reports can be viewed as means for a company to identify and locate itself with various internal and external stakeholders. (Guthrie & Petty, 2000)

To visualise and better understand the objective of disclosure definitions provided by the mentioned entities, they are compared in Table 2 from the point of view of who are the beneficiaries of reports, for what are the reports even used and how to interpret them.

Table 2.

Comparison of objectives of disclosure

	Beneficiaries	Objective	Result
IFRS (2018)	Investors and creditors	Provide information about reporting entity	Better understanding of transactions and voting rights
Lennard (2007)	Management and investors	Report to investors about present and future situation	Aid in evaluating the outcomes of management's work
Guthrie & Petty (2000)	Stakeholders	Create an image in the public sphere of companies	Helps predict the future or explain the past

Source: Compiled by the author

As it can be seen from the table, the objectives and their details are not at all identical and that is great because it shows that there are many reasons why companies should practise high-quality reporting. In all three definitions, the beneficiaries listed were different and this changes with the perspective taken upon reporting in general. Reporting can be looked at from the side of a company and its' obligations to do so or from the point of view of an investor or a creditor to attract new investments and raise capital within the company. That is also why the goals of objectives differ. It is because different entities want different results from the annual report. For example, a marketing manager of a reporting company might be interested more in the qualitative part of the report which provides information about the sources from where a customer might have heard about the company or from where they made a purchase. A bank, on the other hand, might not care that much about how the customers reach a reporting company but rather would want to know how liquid a company is, meaning how difficult is it for a company to pay back a loan. With each objective comes a different result as well. It is important to consider when compiling the annual report that every party that opens it up is looking for something different. Since this paper is approaching the problem from the investors' perspective then in the second part of the theoretical framework, the author is going to demonstrate what are investors looking for in the reports.

1.2 Investors perspective and the support of legal framework

Before expanding on the topic of the perspective of an investor, it is important to understand who an investor is and what makes them an investor. Ross, Westerfield and

Jordan (2014) define an investor as a person or organization that invests money in the hopes of earning the invested money back with a profit. That is the simplest definition. A more intricate one was presented by Klingberg and Nilsson (2010) stating that investors are “the providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold or sell. Shareholders are also interested in information which enables them to assess the ability of the entity to pay dividends.” (Klingberg and Nilsson, 2010, p. 9). This quote gives a better representation of the definition of an investor since it mentions risk.

Allocation of money cannot be called an investment without consideration of risk.

It is clear that investors look for profits with their investments and try to avoid losses but that is not all. According to Statman (2010) investors look for an edge in an attempt to “beat the market”. If usually investments have risk and in accordance with that risk provide the opportunity for a more or less equal profit, then beat-the-market type of investors look for investments with the same amount of risk but higher profit possibilities. The opposite from beat-the-market investors are index fund investors who invest in a fund which consists of many stocks which usually dictate the market. They participate in less trades and are characterized by investing an amount of their paycheck into the indexes each month in order to take that money out in retirement. “Beat the market” strategy contains more risk than investing in funds and to gain a higher profit than the market an investor needs to be above average. (Statman, 2010) According to French (2008) an estimate revealed that beat-the-market investors lose one hundred billion dollars each year by paying to managers to gain higher returns or in attempts to do it themselves compared to low-cost index funds.

Since it has been established that investors are money lenders that are willing to put their money at risk to gain positive returns from their investments, then now this topic can be expanded into the part about investors perspective and what investors are looking for. Also, it is important to mention what helps investors find the information they desire in order to make a fully informed decision. Already in 1965 Fama was the first academic to write about correlation between annual report release and stock price changes. Since, more papers have been written about this correlation, all confirming that the release of annual reports is often accompanied by significant changes in a company's stock price, indicating the influence that annual reports have on investor perceptions of a company.

Ever since the adoption of the IFRS, the quality of financial reporting has highly improved and has brought along many benefits. It has eliminated barriers to cross-border investing, removed the influence of managers on the reports, comparability of reports has

improved, reports became more useful, and the biggest improvement was that market efficiency and liquidity grew and cost of capital drastically decreased. (Brown, 2011)

Obviously, the list of improvements goes on, but there is no point of listing all of them. The main points are brought out but there are still some indirect upsides to investors with the adoption of the new system. Although the benefits of IFRS adoption outweigh the negative aspects, it is important to note that there are still deficiencies in this change. Ball (2006) has found that the adoption of International Financial Reporting Standards is not perfect in all of its' ways. Ball (2006) makes the case that due to differences in local markets and politics the implementation of standards can be seen as inconsistent. That is because the range of countries that have accepted the IFRS is very wide including developed countries but at the same time developing countries. In his paper, Ball also expressed some longer term concerns mentioning how countries with high quality reporting cannot show it off when being under the same regime with low quality reporting countries and going under the same standards reduces competition between alternative reporting system meaning there is less innovation to be seen in the reporting industry.

These findings confirm that the IFRS has set the bar for high-quality reporting and with that has helped investors to make better informed decisions. Biddle, Hilary and Verdi (2009) also state in their paper that the inherent component of reporting quality is primarily responsible for the relationship between financial reporting quality and underinvestment or overinvestment. These findings indicate that financial reporting accuracy reduces uncertainty connected to economic fundamentals, which in turn reduces underinvestment or overinvestment.

Since, it is now known that investors are more attracted to higher quality reports then it begs the question of what investors actually look for in the reports. According to Balata and Breton (2005) there are several factors that investors look out for in the process of analysing a report for a potential investment. Firstly, they believe that the annual report as whole is very influential. It conveys the ideology of the company (Anderson & Imperia, 1992). Since the annual reports consist of narrative and financials then it gives managers huge opportunities to manipulate investors because there are no strict regulations or standards for the narrative part (Balata & Breton, 2005). Another aspect pointed out by Balata and Breton is that the report needs to be readable. This means that if at first glance it looks nice, is easy to read and is informative then an investor automatically approaches with some level of bias. They point out that may also help to mislead investors since if they read with bias, they will far more likely compose an objective image of the company and its' future. The narrative side of the

annual report more often show a positive side of the company and if an investor is careful, they may get fooled by that. The real situation of the company hides in their financial statements. (Balata & Breton, 2005)

Another study by Baker and Haslem (1973) conducted a study where they asked investors about what they look for, received a wide array of answers. Even though this paper today is 50 years old, in 2015 it got rewritten and the data from it is still valid. In their study, they found that the top three things investors are looking for when analysing a company is the future economic outlook of the company, quality of management and future economic outlook of the industry the company is in. In total, there were thirty-three aspects investors look out for but the top three were categorized as “of great importance.”

Not only do the contents of the annual report matter to the investor, but also how they are presented to the reader of the report. According to Penrose (2008) a huge role in the perspective of the investor is the visual representation of the annual reports and its' conclusions. In many cases, graphs and tables were distorted which made investors either arrive to false conclusions or left wondering of the meaning of the graphs themselves. In fact, Penrose (2008) stated that the visual designers of annual reports have power to alter investors decisions with the aesthetics of a company's data presented in the annual report by changing the size and fonts of texts but also with just the selection of the graph and the scale and colour of it.

Overall, it can be said that investors look for reports with high-quality which can portray them a realistic and objective report and as it turns out the overall build of the annual report matters significantly to a common investor which totally makes sense. If a company projects, its' vision and mission attractively while backing it up with its' healthy financial statements then the investor would be far more motivated to become one of the stakeholders.

2. Empirical research on annual reporting practises in the Baltic States

In the second part of this study, the author is going to try to determine the similarities and differences between the countries under investigation. The aim of it is to determine which legal environment provides the best possible overview for an investor to make an informed and educated investment decision and compare disclosure practises among the three countries. In this part the author will start by looking at the legal requirements of each state to set ground for the comparison of annual reports. In the first subchapter, the author is going to analyse the details of laws in each country and also determine the mandatory contents of annual reports for different companies. Following, is to pick 3 companies within the same

industry with similar yearly turnover and to compare them next to each other to find any discrepancies. The author of this paper has also conducted several interviews with auditors to find out more about the researched subject and get a better understanding of everyday role of annual reports. Lastly, will come the comparison of annual reports where the author is going to look at the contents, formatting and many other aspects of it.

2.1 Legal framework of annual reporting practises in the Baltics

In this subchapter, the author is going to analyse the legislation of annual reporting in all three countries and will try to highlight the first differences and similarities based on just the law. Since in this bachelor thesis the author is looking at SME's that are not listed on any publicly traded stock markets then there should be some slight differences between the Baltic countries.

Firstly, it is necessary to establish the accounting standards used for private companies in the Baltics. As it was mentioned in the theoretical part of this paper then there quite a few organisations responsible for the standards of accounting and the enforcement of them. In order to create a structure for the reader, the author is going to try to explain the hierarchy and the purposes of different accounting organisations so that later on it would be clear which organization is responsible for what. The most confusion among people is because it is not that clear what are the IFRS and GAAP responsible for. GAAP or Generally Accepted Accounting Principles is a collection of rules public companies in the United States of America need to follow. These principles are created by the Financial Accounting Standards Board which is a non-profit organization in the USA. According to FASB (2023) their mission is to establish annual reporting and financial reporting for non-profit, private and public companies. This means that when a company in the US is preparing their financial or annual report then they their accountant needs to adhere to the rules set by GAAP. This may seem irrelevant to this paper because in this paper the author is examining three European countries, but later it will be explained why this plays a significant role in the three countries and in this paper.

The International Financial Reporting Standards or the IFRS are more so-called directions for companies on how to create annual and financial reports. According to the IFRS (2023) their standards are developed by the IASB which is the International Accounting Standards Board. These standards are used all around the world, in the EU but also South America and even some Asian and African countries. In total 110 countries follow these set

standards in order to keep all reports similar and make them easily comprehensible for investors.

There are a few differences between the two organizations in terms of their guidelines for reporting. Besides the fact that IFRS provides standards for disclosure and GAAP provides rules for disclosure, an investor might find technical differences when comparing different reports compiled in accordance with different organizations. These differences might be seen when looking at the intangible assets part or how inventory might be disclosed. In general, it can be said that GAAP is stricter with their approach while IFRS leaves more room for interpretation. It must be said that the quality of different reports does not vary meaning that a report from the USA would not provide more value to an investor than a report in accordance with the IFRS. (Van der Meulen, Gaeremynck & Willekens, 2007)

All listed companies in Estonia, Latvia and Lithuania need to prepare their financial statements in accordance with the IFRS. This means that they need to create an extensive annual report which consists of many headings. However, since the IFRS keeps evolving their standards over time then this list grows bigger and bigger by passing years. They first introduced their standards in 2011 and since then there has been 17 additions making the latest IFRS 17. Nevertheless, the main mandatory rules are set, and this means that for all Baltic countries that are listed on a public stock exchange there are rules that need to be followed. Listed companies need to provide Statements of Final Position meaning that they need to provide a balance sheet that corresponds to the standards of IFRS. Next, they need to provide a Statement of Comprehensive Income where a profit or loss statement is brought out or if there is other income like from property or equipment then that also needs to be disclosed. Following is a Statement of Changes in Equity. It is more widely known as a statement of retained earnings which basically brings out company's profit of the year. An especially important statement for investors is the Statement of Cash Flows that also is required by the IFRS. As it says in the name, it provides entity's financial transactions categorised by cash flow of operations, financing and investments. That is all from the financial but there is still one more requirement left which that companies need to provide notes about their accounting or for any other explanation. It is important to note that, a mother company needs to prepare separate account reports for every subsidiary they own and obviously one for itself.

Since in this bachelor thesis the aim is to find differences and similarities in the annual reports of the Baltic SME's then the IFRS is not used among them because they are not listed on any stock exchange. This means that now it is possible for the author to describe

the legal requirements of each country individually and point out the first differences and similarities among the legislation.

Firstly, the author is going to take Estonia under examination. In Estonia, reporting and accounting requirements for SME's are established by the Accounting Act of the Republic of Estonia. It sets out main principles for accounting and disclosure for all types and sizes of businesses in Estonia. It applies to all legal forms of businesses and sets the groundwork for accounting records, financial statements and the audit of them. When compiling an annual report in Estonia companies need to follow in addition to the Law of Accounting also Estonia's Good Accounting Practises and also the guidelines provided by the Accounting Board of the Republic of Estonia. Estonia's Act of Accounting was passed on the 20.11.2002 and ever since it has been in constant change in accordance with internationally accepted accounting and reporting principles. Estonia's Good Accounting Practises are also brought out in the Act and generally lead companies to follow international standards in case of uncertainty. The Accounting Board of the Republic of Estonia oversee reporting practises and set guidelines for all entities to follow.

In Estonia, companies need to prepare financial statements based on each fiscal year. A financial year lasts 12 months in Estonia and usually for companies starts on the 1st of January and ends on the 31st of December, but there is an opportunity to change it to any 12-month period. At the end of the financial year companies have time for 6 months to prepare and submit their annual reports. SME's have the opportunity to choose whether they prepare their financial statements using the Estonian financial reporting standard or the International Financial Reporting Standard. Estonian financial reporting standard is the same as a local GAAP. A local GAAP requires a company to provide less information thus making it easier and cheaper for smaller companies to compile high-quality financial statements. This is where things start to get a little tricky because depending on the size of the company the amount of disclosed information may differ. In Estonia, companies are categorized into 4 groups depending on their amount of assets, revenue and average amount of employees during an accounting period. The groups for categorizing are micro undertaking, small undertaking, medium undertaking and a large undertaking. In Table 3 the reader may find the thresholds for each size of undertaking, meaning that they can not pass those number or otherwise will be categorized under a different size undertaking.

Table 3.

Undertaking's size thresholds

	Micro	Small	Medium	Large
Total assets (€)	175 000	4 000 000	20 000 000	20 000 000
Sales revenue (€)	50 000	8 000 000	40 000 000	40 000 000
Average number of employees	-	50	250	250

Source: Compiled by the author

There is some information that may be unclear from this table like why is there no threshold for micro undertakings regarding the number of employees or why do medium and large undertakings have the same thresholds. Firstly, micro-sized undertakings have some additional conditions that are not portrayed in Table 3. In order for a company to classify as micro, they also must have only one shareholder who is also a member of the management board and their liabilities can not exceed owners' equity. In 2016, Estonian government introduced the term of micro enterprise in order to make it easier for small corporations to disclose their activities and operate. Regarding the micro entities then the amounts portrayed in Table 3 under micro may not be exceeded on the balance sheet day or otherwise this company is no longer micro-sized.

A large undertaking is only large if it exceeds two of the three indicators, but small and medium companies are allowed to exceed only one of the three indicators in order to stay in the same bracket. This now allows to explain which size undertaking needs to prepare what at the end of the financial year. A micro entity in Estonia is allowed to prepare just their annual accounts for the annual report. These annual accounts consist of balance sheet, income statement. With these accounts a micro enterprise also needs to provide notes on the accounts, if there are any. All other sized entities must prepare in addition to annual accounts also a management report, which must include analyses of the activities of the accounting entity, circumstances relevant to assessing the financial position and business activities of the entity, significant events that occurred during the year and likely developments in the future and if a company has branches, then it needs to address the information regarding them as well. Medium-sized and large undertakings must provide everything mentioned above and in

addition to all that also a statement of changes in equity and a cash flow statement.

(Accounting Act of the Republic of Estonia, 2023)

What is not mentioned above, is that there are also certain requirements for audit reports and audit review, and these are also dependent on the same factors which classify companies into categories. In Table 4 it is brought out at what conditions do companies need to provide audit reviews or reports.

Table 4.

Audit review thresholds

	Audit	Review	Audit	Review
	Two factors exceed		One factor exceeds	
Total Assets (€)	2 million	0,8 million	6 million	2,4 million
Revenue (€)	4 million	1,6 million	12 million	4,8 million
Employees	50	24	180	72

Source: Compiled by the author

As it can be seen from Table 4 there are quite a few ways how a company would be required to turn to a licensed auditor. This law was passed in 2017 and has been in force ever since. It has helped set more clear boundaries to when should a company let perform an audit and when it should let perform a review. Both are services provided by licensed auditors, but they do differ in terms of their size and extensiveness. As it can be seen from Table 4 a company should get a review two of three indicators are above the threshold of 800 000 euros in total assets by the end of the financial year, 1 600 000 euros of turnover for the whole financial year and 24 employees on average for the financial year. Another way is when a company exceeds just one of the following criteria: 2 400 000 euros of assets, 4 800 000 euros in revenue and 72 employees. These barriers help include different sized companies in different sectors because factories for example may have a lot of assets and employees, but lower revenue and some service companies may have low assets but high revenue, so this new system has helped business owners understand better when to audit. The difference between audit review and audit report is that the report is a lot more extensive and through thus providing more assurance to the reader. During the auditing process the auditor gets all the company's accounts and balances and if the auditor is doing a report, then they ask for a lot more evidence when compared to a review. This makes the audit report more expensive for the company and takes longer to complete. (Ministry of Justice, 2023)

Last but not least, important thing to mention is Estonian tax laws. As it may be known to the wider audience then Estonia is famous for having no corporate income tax meaning that companies do not have to pay tax on retained or reinvested earnings. This means that companies have to pay 20% tax only on the profit they actually distribute. According to the Tax Competitiveness Index Estonia has been on the first place for the past 9 years. That is because all taxes can be done online very shortly, there is no need to register as an employee or board member until company has enough money to pay salaries and many other things among the listed ones. (Estonian Tax and Customs Board, 2023)

Following, will be the analysis of Latvian legislation system for annual and financial reporting. Latvia's laws greatly align with the ones that are in force in Estonia, but that is due to the fact the laws have been created in accordance with the IFRS created by the International Accounting Standards Board. Latvian financial year also has the duration of 12 months starting from the first day of the year until the last. Unlike in Estonia where it was brought out in the Act of Accounting, in Latvian Law of Annual Statements and Consolidated Annual Statements it was not said that a company may choose when their fiscal year starts or ends. Upon further research it became evident that it is in fact the case and the companies have this option. In addition to that, companies also have to provide their annual report no later than 6months after the end of the financial year. (Law of Accounting of the Republic of Latvia, 2016)

Once again, countries are divided into 4 categories depending on their size, these categories being exactly the same as in Estonia. Micro, small, medium and large undertaking are the four possible ways to categorize a company by its' size and the thresholds have a lot in common. To provide with the Latvian thresholds, there is no need for a new table but rather Table 3 can be used for referencing since in regard to small, medium and large undertakings there are absolutely no changes. This means that also in Latvia, a large undertaking must exceed at least two out of three indicators in order to be large. Small and medium however only have the opportunity to go over maximally one out of three indicators in order to stay in the same bracket. As for the micro undertaking there are changes in terms of the limits. In Latvia a micro-entity is considered to be an SME if it does not exceed two out of three limits. The limits are that it may have 350 000 euros balance sheet total which is the same as total assets in Estonia, net turnover can be 700 000 euros and the average number of employees during the reporting year is 10. The average number of employees during the financial year gets calculated based on the arithmetic mean. At the end of each month the

amount of employees gets summed up across all months and then gets divided by 12. (Law of Accounting of the Republic of Latvia, 2016)

The reason behind determining the undertaking sizes first is because similarly to Estonia the size of the company determines the amount of information they need to disclose. As per the Law of Accounting states in Chapter 3, no matter the size of the undertaking, all companies need to provide some sort of financial statements and some also a management report. In the financial statements, micro and small entities need to prepare at least a balance sheet, a profit or loss account and an annex to the financial statements, meaning notes that explain financial statements. Medium and large companies however need to prepare in addition to everything small and micro companies do, a cash flow statement and a statement of changes in equity. In regard to the micro-entities, there are quite a few exemptions made in order to save some time and resources for the owners of those businesses. For example, if a micro-entities' assets are under 50 000 euros, revenue is under 100 000 euros and average number of employees is 5, then they do not even have to provide any notes to their financial statements. Once again, one of the indicators may exceed the limit for this law to be active. In addition to the previous privilege a micro-entity does not need to provide a management report at all if they provide their aggregate own stock or share, meaning that if an enterprise acquires stock or sells stock, they need to report of it. (Law of Accounting of the Republic of Latvia, 2016)

The management report has also some alterations depending on the size of business. As it was already mentioned about the requirements from micro businesses, now it is important to highlight the requirements for other entities. As logic would suggest, the large undertaking must provide the lengthiest and the most explanatory management report out of all four. This means that it must include information about development, financial results of performance, and financial status of the undertaking, as well as information regarding substantial risks and unclear circumstances faced by the undertaking. Additionally, large undertakings need to provide indicators of financial results as well as non-financial indicators, measures in the field of research and development, the undertaking's aggregate own stock or share, affiliates and representations of the undertaking abroad and use of financial instruments. There has also been made an exemption for small and medium size companies which is that they do not need to provide non-financial indicators, and information about environmental protection nor information about its' employees. (Law of Accounting of the Republic of Latvia, 2016)

Similarly, to previous findings, there are specific conditions for auditing among Latvian companies. In Latvia, there are two possible auditing procedures. A more extensive and larger one is an audit review and the more compact one is a limited review. An audit review is for medium and large companies without any exclusions and even for some small-sized entities and once again there are limits, which upon excess qualify for this. The limits are:

- Balance sheet total – 800 000 €
- Net turnover – 1 600 000 €
- Average number of employees in the reporting year – 50

If a company exceeds two of three limit values on the balance sheet day, which is the last day of the financial year, for two years in a row then it needs to get an audit review by one or many sworn auditors.

A limited review is necessary if a small undertaking on the balance sheet date for two years in succession exceed two of the following limit values:

- Balance sheet total - 400 000
- Net turnover - 800 000
- Average number of employees in the reporting year – 25

Obviously, a company has a choice between whether they want a full review or a limited one, but it needs to be considered that from one hand it is more expensive and time-consuming to claim a full review but from the other hand it gives a better sense of security for whoever the reader may be. (Law of Accounting of the Republic of Latvia, 2016)

Latvia, in comparison to Estonia has a corporate income tax of 20%, but this does not paint the whole picture as in parallel to Estonia there are also exemptions made. One of the major ones being that a company does not have to pay income tax on reinvested profits meaning that all earnings that are used for expenses or investments do not apply under the corporate income tax. This law was passed in 2018 in order to boost economic growth and it had great effect ever since. With the passing of the new law there were other benefits as well that eased the tax burden on entrepreneurs. According to the International Tax Competitiveness Index, Latvia has been on the second place for the past 5 years, right behind Estonia. In 2022, Latvia scored 99.7 according to the ITCI and Estonia at the first place with 100 points. (Bunn, 2022)

Lastly, Lithuania is left to analyse and answer all the same questions the author has answered previously for Estonia and Latvia regarding the legal framework set by their state. Firstly, it is important to mention right away the Act of Accounting of Lithuania is practically identical to the one which is in force in Latvia, meaning that there will be some repetition in the following paragraphs. Nonetheless, in Lithuania SME companies also have the option to disclose abiding by the IFRS standards or Lithuanian Financial Reporting Standards. As it is said, it is preferable for smaller companies to use the Lithuanian standards due to the fact that then SME's can take advantage of exemptions that are made for them in order to lower business costs. Lithuania has decided to categorise SME's exactly like in Latvia for the only exception that, what otherwise is known as a micro-entity is called in Lithuania a very small enterprise. This means that there are four categories of companies divided by size and they are very small, small, medium and large. The thresholds are also exactly the same as in Latvia with identical criteria of exceeding them. (Act of Accounting of the Republic of Lithuania, 2023)

Similarly, to Latvia, the contents of the annual report vary from one size of company to other. Starting from the small company, which needs to prepare in their annual report an abbreviated or full-sized balance sheet, a profit or loss statement and an explanatory letter which is the same as providing notes for the financial statements. A very small company on the other hand gets off even easier because they are required to submit a short balance sheet and a short profit or loss report. Section 5, Article 22, paragraph 2 of the Act of Accounting of the Republic of Lithuania explains what are abbreviated and short financial statements. According to the Law they must consist minimally of: “

1) information on financial promises, guarantees, contingent liabilities, contingent assets not shown in the balance sheet in total amounts, indicating the type and nature of all significant collateral.

2) information on all promises related to pensions according to long-term compensation plans and companies of the group of companies, joint ventures or associated companies controlled by the joint venture agreement.

3) information on the amounts of advances and loans granted to the head of the company, members of the management and supervisory bodies, indicating the interest rates, the main conditions of the loans and all amounts returned, written off or waived, as well as the amount of the promises made by the company when providing all kinds of guarantees for these persons, indicating the amount due separately to the head of the company, members of the management and supervisory bodies. „ (Act of Accounting of the Republic of Lithuania, 2023)

Medium and large sized companies need to prepare a balance sheet, a profit or loss statement, cash flow statement, statement of changes in equity and also an explanatory letter where all of the numbers are explained and provide background for. Again, all companies have the option to prepare more financial data than required thus making themselves more transparent to investors and shareholders but at the cost of resources. (Act of Accounting of the Republic of Lithuania, 2023)

An annual report is incomplete without a management report inside of it but not all companies in Lithuania are obligated to provide one. In fact, the smaller a company is based on its 'revenue, assets and employees the less non-financial information they need to provide. Starting from the very small and small companies, which need to report about the number of shares purchased or transferred and its 'details during the reporting period and reasons for the acquisitions. Very small companies need to provide this information in their balance sheet and small businesses should do it in their notes. Medium and large need to provide everything that was mentioned earlier and also the same information which Latvian Law of Accounting requests with the exclusion that medium sized companies do not need to provide analysis of financial and non-financial performance. (Act of Accounting of the Republic of Lithuania, 2023)

An audit of the annual accounts might also be required under specific conditions and this time they do not align with any of the previous criteria. According to the Lithuanian Law of Accounting an audit of the financial statements must be carried out if at least two of the following indicators are exceeded on the last day of the financial year:

1. The value of the assets indicated in the balance sheet – 1 800 000 €
2. Net sales turnover during the reporting financial year – 3 500 000 €
3. Average annual amount of employees on the last day on the financial year –

50

Furthermore, there is only one form of audit which is an audit report meaning that the only option for companies is complete the most extensive auditing process which needs to be included in the annual report for submission.

Lithuania has a corporate income tax of 15% which is way lower than the OECD countries which stands at 23.6% and is even lower than of Estonia and Latvia but on the other hand there are less exemptions. CIT of 15% is applied on all earnings, no matter the fact have they been distributed or not. This means that Lithuanian enterprise do not have the opportunity to invest tax-free since the tax gets deducted immediately after the earning of profit. On the contrary they have a tax discount for smaller companies. If a company in

Lithuania is just starting out, the state will offer 0% tax rate for the first taxable period and from the second taxable period a 5% corporate income tax is applied as long as the following criteria are met. Average number of employees may not exceed 10 people, income during the tax period must be less than 300 000 euros and the shareholders must be natural persons and not companies. This is their way to boost economic growth and to motivate entrepreneurs to start businesses in Lithuania, but the system Latvia and Estonia have implemented is more sustainable because it supports more companies and allows them to scale up their investments. (Republic of Lithuania Law on Corporate Income Tax, 2020)

There is now a possibility to draw first conclusions from the differences and similarities of the legal requirements in the Baltic states. As it appears, there are more similarities than differences and this should not come as a surprise since all three countries have relied on the IFRS standards when coming up with each local GAAP. In general, the basic details are the same as the length of the financial year or the relationship between the IFRS and the local GAAP. All three countries state that SME's may use either the IFRS standards for reporting or may base their reports on the national accounting standards. In all cases the IFRS standards are more extensive and thorough so the national standards may be considered as abbreviated and adapted versions of it. The Baltic countries have also distinguished countries into four categories in accordance with their yearly revenue on the balance sheet day, total assets at the end of the financial year and the average number of employees that work for a company. However, there came the first differences between the Estonia and the other two countries. Previously, it was seen how Estonia has set much lower thresholds in order for a company to call itself a micro-entity. This actually applies not only to the comparison of the Baltics, but overall, to the standards of all European countries. The reason being that micro-entities are offered many incentives and this way the Republic of Estonia is trying to motivate entrepreneurship by giving micro-entities good conditions for market research and starting in general. In regard to the contents of annual reports then the similar aspect that passed through all three countries is that according to the size of the company, the contents vary and as it was shown then the bigger the company is the more information they need to provide. Starting from the smallest size company, no matter how it is called in different countries the requirements are the same. The smallest countries need to prepare their annual accounts and notes explaining them. In Lithuania however smallest companies are required a short balance sheet and a short income statement but upon analysis it looks like there is no difference between Latvian and Estonian balance sheet and income statement in comparison to the Lithuanian one. All else is more or less aligned with each

other, meaning that companies that are in the same “weight-class” in each country prepare similar information for the government. The biggest differences appear in the auditing and corporate income tax parts. Firstly, in the auditing part all three countries have established different thresholds and different outcomes as a result of exceeding those thresholds. Estonia has the most specific and most thorough regulations for auditing because it covers a wide variety of cases with the system that is demonstrated in Table 3. As a result, a company may have to go through an audit or in other cases a review which is a short overview of company compiled by a sworn auditor. Latvia however on the other hand has only two limits in comparison to Estonia’s four, where the result can be either an audit review or a limited review which suggests that they are pretty similar to Estonia’s auditing processes. In Lithuania, there is only one process of auditing, and it is an audit report which consequently means that there is only one limit value that consist of three indicators as it was stated earlier. Lastly, the corporate income tax also varies from one country to another. There is no point to bring out again each countries’ corporate income tax policies, but it is worth mentioning that there is a clear distinction between the laws and rules set in accordance with international standards and the laws that were set by local governments which have way more details that are linked with the countries’ overall priorities and goals.

2.2 Analysis of interviews and comparison of annual reports

The author of this bachelor thesis conducted in total two interviews. The interviews were meant to give an insight into the aspects of everyday interactions with accounting practises. The interviews were done with sworn auditors who gave an overview of details that may be not seen at a first glance and provide a deeper understanding of what actually matters in annual reporting to investors, shareholders, auditors and the government. These interviews were not conducted in order to code them and find patterns but rather to get to know the point of view from the auditors’ side and provide some valuable insight that may not have appeared by itself from laws or reports themselves. The first interview was conducted on the 30th of March 2023 which can be seen in Appendices under Appendix A. It was conducted with Riina Alt who is a Baltics Financial Accounting Advisory Services Leader at a company called EY. EY is a very well-known auditing, tax and consulting firm which is one of the Big Four accounting firms. The author and interviewee had an online meeting which lasted 19 minutes during which the author had the opportunity to ask her six questions. The questions asked were:

1. How do you assess the quality of financial reporting in the Baltic countries?

2. What are some common financial reporting practices in the Baltic countries that may differ from other regions?

3. Can you speak to any significant changes or trends in financial reporting practices you have observed in the Baltic countries in recent years?

4. What do you consider to be the most important components of a good annual report from an investor's perspective?

5. How do the Baltic countries compare to each other in terms of the level of detail and transparency in their financial reporting?

6. What are the main differences and similarities in annual reporting between Estonia, Latvia and Lithuania?

When answering the first question, Alt said that overall, the quality of reporting under IFRS is good if compared to more southern countries but regarding the companies implementing local GAAP then the situation is worse since it really depends on the quality of work done by the accountant of the firm meaning that if the accountant does not put all the information on record, then the quality automatically drops making any annual report instantly less informative. She explained that actually, micro and small entities do not need to provide much for the government in their annual reports and the requirements have been decreasing over the past years meaning that if a company would like to prepare a more informative annual report, then they have that option and are encouraged to do so but since it is not obligatory most choose not to do it because it saves them time and money. Alt added that micro and small entities do not consider themselves attractive for investments and that is why they also choose not to include cash flow statements which Alt considers to be the most important part of an annual report for investors.

Recent trends in reporting have been focused on making reporting easier for companies to disclose their activities and thus the requirements have been loosening and making it easier. Alt said that right now there is a software in development which will allow companies to tag their accounting entries meaning that once there has been any cash flow it gets tagged and later when the time comes for annual report submission with a click of a button an annual report gets automatically created and submitted. This would help to stay on time with submission deadlines since a lot of companies are late with the submission of annual reports and also would provide a level of assurance in the reader due to the level of transparency. Alt added that even though many of the aspects that medium and larger

companies need to provide, small and micro do not, they still do it because they want to be on the same level with them. Small and micro entities want to be treated the same way as larger companies in order to be eligible for financing and be more attractive for investments.

When comparing the three countries to each other, Alt noted that historically Estonia has always a little bit different from others because of the e-service systems that are in place. In Estonia, all annual reports, no matter the size of the company are identical because they are computer generated. Accountants enter information into the system and the machine generates annual reports with identical formatting and layout. Latvia and Lithuania on the other hand do not have this type of system meaning that their annual reports may differ in appearance. She also pointed out that in Latvia and Lithuania cash flow statements are obligatory but upon review that turned out to be incorrect now and may be based on outdated data. For the biggest difference Alt brought out the convenient presentation possibility in Estonia that does not exist in neither Latvia or Lithuania and also the availability of annual reports to the public meaning that in Estonia it is quite easy and accessible to read any companies' annual report but in Latvia and Lithuania there are certain barriers to the access of them.

The second interview was conducted on the 31st of March 2023 also via Zoom. This interview was done with the help of Oksana Popova who is a Lead Auditor at PwC, which also is a part of the Big Four. This time around the interview lasted for only 11 minutes due to the fact that some answers to questions were out of scope of knowledge for the interviewee. Similarly, to the previous interview, the author asked the same questions as listed above before the first interview analysis. This interview transcript may be found in Appendices under Appendix B.

When speaking about the quality of financial reporting in the Baltics, Popova preferred to comment more about the Estonian reporting quality because of her frequent contact with it and lack of contact with other two countries. Popova stated that overall, the quality is high but again it really depends on how much emphasis a firm puts on their reports. She supported Alt's view on the importance of the accountant by saying that if accounting is done by one of the companies from the Big Four then the chance of a higher quality report is greater when comparing to a smaller auditing business or even sole proprietors. When speaking about the changes of financial reporting in the previous years Popova said that usually there are not any drastic changes since local GAAPs are heavily based on IFRS meaning that any changes that are brought in are rather clarifications in local GAAP that are in accordance with IFRS. An interesting point of comparison that Popova brought to light is

that in Latvia it is allowed in annual reports to switch over from the local GAAP to IFRS in any point. This means that in Latvia a company might disclose some part of activity in accordance with local GAAP and then change it and in other part use IFRS if they would like to. In Estonia and Lithuania there is no option to do that since it is required to keep the same format throughout the whole annual report. Later, when talking about investors needs Popova said that for investors it is better if companies compile their annual report based on IFRS since it discloses more information and is more thorough. In Estonia, under IFRS companies need to disclose in their management report risk management like credit risk, liquidity risk, capital risk which all is not required when following local GAAP.

Overall, the two interviews provided valuable insights into the hidden aspects of annual reporting and also showed different perspectives from which the annual report can be looked at. For example, an auditor has a whole different view of an annual report than an investor might have or a stakeholder. These kinds of comparisons help to understand how valuable annual reports are to many different groups and how each group is interested in different segment of the annual report.

Lastly, the author can compare three provided annual reports and highlight any discrepancies in the reports but also outside of the reports like the required formats, submission portals and other relevant details. As it was mentioned earlier in the thesis, in order for this paper to be accurate the reports need to similar meaning that the three companies should operate preferably in the same industry, have somewhat similar annual turnovers, more or less match by the number of employees and total assets. This is necessary for the sole purpose of fair comparison because if otherwise companies are far apart by their industry or financials then additional features of annual reports would arise, making the comparison moot. For even better analysis, the author has decided to include SMEs because in the annual reports of SMEs there are more options for display and inclusion or exclusion of details. Another reason why annual reports of large or listed companies are not applicable in this thesis is because in their annual reports everything is concretely defined regarding what needs to be included and what does not. Annual reports of large companies usually need to include everything possible leaving no room for differences in between countries. Furthermore, publicly traded companies follow directly IFRS, but this thesis is focused on comparison of each countries' local GAAP and the compliance of companies with it.

Regarding the choice of companies for analysis there are already a few key findings to be unveiled from the investors perspective. The author of this paper ran into a problem with the discovery that the annual reports of Latvian nor Lithuanian companies are not publicly

available. Unlike in Estonia, where there are multiple online platforms for companies where any reader can access any annual report with a few clicks, in Latvia and Lithuania annual reports are behind paywalls meaning that if a reader wants to see an annual reports of accompany online, they need to pay a company that can provide it to them. In the case of Latvia, they have an online platform called lursoft.lv where people can see some details about any desired Latvian company but for the annual report a person must have an account on that website and must pay eight euros and twenty cents for every annual report they want to see. The same applies for Lithuania, where there is a website called rekvizitai.vz.lt where an annual report will cost a person nine euros and ninety cents but under preview it shows a computer generated file by CreditInfo which can not be considered an annual report but rather a summary of contents. When this information was obtained, it quickly rendered this thesis impossible with the exception of taking on additional expense. After writing countless emails to companies directly asking for their annual reports a solution arose. Luckily, through authors' personal connections it was possible to get a hold of three annual reports from the Baltics which all operate in the same. Since, it did not come as a first choice, then it is important to add here that this result was not the one that was expected but nonetheless it is sufficient for this thesis to create a comparison of annual reports as planned.

All three companies deal with the sale of jewelry and precious metals. Unfortunately, they are not in exactly the same industry because Estonian company deals with wholesale of precious metals, Latvian companies' activity is wholesale of watches and jewelry, and Lithuanian companies operates in retail sale of watches and jewelry. Regarding this thesis it does not concern the reader much because it still is the same industry, and it is only important so that there would not be any huge differences in regard to ratios of revenue to assets. In this paper the names of the companies will stay undisclosed and are blurred in the annual reports since again it is irrelevant to the analysis of the annual report.

Under Appendix C the reader may find the first annual report which belongs to the Estonian company. This annual report is from the year of activity 2021. The activity part was already mentioned above, but on the third page of the report the Estonian company provides an activity report where they provide a little history to the company with stating the year of establishment and briefly mentioning the result of the previous year. Following is a short paragraph which explains their activity and gives an explanation to the difference between the market value of their assets and the disclosed value of their assets. It is also mentioned that 2 people work in this enterprise and the labor costs. Lastly, in the activity report it is said

that the goal for the following year is to maintain their market share and there were not any significant events at the time of preparation of the annual statements.

After the activity report comes the annual report itself. Firstly, it is necessary to repeat that in Estonia annual reports are not drawn up by humans, but rather all the data gets plugged in to the government software, which will be discussed later, and a computer generates uniform annual reports for every single company in Estonia. If the reader looks at the annual report, then they will see that the first table is a balance sheet of the company and right after that there is an income statement. All data in tables is in euros and behind the financial values it can be seen that there are references to notes regarding specific lines in the tables, which also will be discussed later. Since this thesis is not trying to determine whether the three companies provide a good or a bad investment opportunity for an investor, then the values are not that relevant to this work, but rather the presentation of the data alongside the fact whether the companies provide enough information for informed decision-making. Nonetheless, it looks like the company is doing alright and even though there has been a slight decrease in assets there also has been a decrease in liabilities keeping the ratio healthy. Regarding the ratios, then it must be said that they are not required from companies this size and hence there are not any included in the given annual report either but ratios are a good way to appeal to investors and attract foreign investments since it makes the life of the reader a whole easier and gives a quick overview of the state of the company's financial situation. As for the income statement, then there is all the same. As usual, the reader can find the data from the year of the report and from the year before it. Right behind the value is a reference to notes that come further in the annual report. Now, it can be seen since the revenue of the company for that year was 585 317 euros, the total assets were 994 736 euros, and the number of employees was 2 then this entity classifies as a small enterprise in the eyes of the Estonian government. Regarding the income statement, then it can be seen that revenue increased but with that, costs also substantially increased leaving the company with less profit than the previous year. The EBIT is closely the same but since the company had to pay more than double in income tax than in 2020, it left them with less profit.

After the income statement, come the appendices where the company explains its' accounting policies and gives comments on some data from the tables. Since a software was used to translate all annual reports there come along some inaccuracies, but they do not change the perception and the main idea remains intact. With that being said in the first appendix there is more text compared to others where the accounting principles of the company get stated. There, the reader will find general information but also information

about cash, receivables, inventories, tangible and intangible fixed assets, depreciation, leases, and revenue. Overall, Appendix 1 in the annual report provides valuable insight behind the preparation of the annual report and gives thorough explanations to where the numbers come from which are displayed in the balance sheet and income statement. From the investors' perspective this is a highly valuable segment of the report since it gives an understanding of the company's activity and its' approach to handling its' finances. This is a key part of any annual report which in this case has been executed flawlessly but this should not come as a surprise since this is required by law and is basically inevitable but on the other hand the level of thoroughness is up to each company. All throughout Appendix 2 until Appendix 15 in the annual report, the reader will find tables that expand the values in the first two tables giving a more detailed look into the subcategories of the companies' expenses or earnings. For example, in Appendix 8 there is a further explanation of any debts and prepayments a company has. There the debts are categorized into debts to suppliers, contractors, tax debts and other debts like dividend debts and miscellaneous accruals. In Appendix 11 the reader can find information about the distribution of sales revenue, explaining from what country and from what activity the revenue came from. In the case of this company, it can be seen that for example in 2021 they sold substantially less goods to Latvia compared to the year before that. Lastly, after the appendices there is a profit distribution proposal and its' decision alongside the general information of the partners.

The submission of the annual report is made extremely easy for entrepreneurs in Estonia. All they have to do is go to the E-Business Register where they have to log in with their national code. After that they just click "Submission of a report" and select the company they want to report for. Lastly, they need to choose their company size (micro, small, medium, or large), which standards they use for disclosure (Estonian GAAP or IFRS) and some minor details as well and once "Add new report" is clicked then all that is left to do is to fill out the forms that are required and it is done.

Overall, the annual report is very coherent and since it is computer generated it leaves no room for error giving an investor a great overview of the company. Since it is a small enterprise, it is not required to disclose more information and that is exactly the case with this company meaning that as Alt said in her interview it might not be in the interest of this company to attract any investments because otherwise, they would have included additional information which was not required from them that would have appealed to an investor. Another aspect that Alt considered to be vital for investors is cash flow statement, which in this case is absent but again, its' inclusion is not mandatory for the small Estonian enterprise.

Nevertheless, all vital information is provided so based on this report it can be confirmed that it is possible to make an investment decision, but it lacks depth to get a full comprehension of the company.

Moving on to the annual report of the Latvian company which can be found under the Appendix D. This is an annual report from the year 2020 of the company that deals with wholesale of watches and jewelry. Unlike, in the Estonian report, this one starts with general information and without an activity report goes straight to the balance sheet. First thing that should stand out the reader is already the different formatting. Uneven gaps in between rows should be dismissed because that has been done by that translation software in order to extract the text. Either way the table formatting is different because unlike in Estonian report where there were all borders around tables, in the Latvian one we can see only horizontal lines. On the fourth page of the annual report there is a table of the company's active or in other words assets. Once again, the values should not concern the reader. Another point of difference is the location of reference to the notes. In this case the reference is under the first table in the text. Same goes for the second table of the report which is the PASSIVE table or in other words known as liabilities table. There the formatting is more coherent a gives a closer resemblance to the original file than the previous. In the tables the subcategories underlined with bold lines on top and under the number and the final number is outlined with double lines both on top and under the numerical value. In terms of comfort, it is worth mentioning that dragging out assets and liabilities seems unnecessary because it requires the reader who might be a potential investor to scroll between two pages calculate assets to liabilities ratios or do some comparison work. Furthermore, there is no real need for this kind of extension as it provides no value to the reader of the report. On the sixth page the reader is met with a "PROFIT OR LOSS CALCULATION" which in simpler terms is an income statement and this table, unlike the previous two is compact and easy to follow. Under the table is a reference to appendices and the reader may find that at the bottom of each page there is place for the signature of the chairman of the company and the accountant which is not required by law. Following are the notes for the financial statements where the first line indicated that the average number of employees was 2 for this year. This means that if their revenue was 129 552 euros, total assets were 49 011 euros and 2 people work for this company then that classifies as a micro entity in Latvia. In the appendix under 1.4 there is a longer explanation for the drastic decreases in values compared to the previous years' report. It is crucial that it is included there because the first question of the investor upon the discovery of numbers would be why. In 1.4 it is thoroughly explained how COVID-19

affected the company and what is the plan for continuation. Further, there are explanations about inventory and its' accounting, bad debts, creditors, revenue recognition, expense recognition and any other additional information. After that, on page 10 it also stated that there is no management report in this annual report and there is also a reference to the law which allows this exemption. Following it are explanations to balance sheet and income statement items but here the formatting of the tables is different because all tables are surrounded with borders all around when before there were only horizontal lines. On the last page, there is a conclusion of the meeting and the confirmed decision from the chairman.

In regard to the submission of Latvian annual reports, there is less information available online of how the process actually looks like but according to Latvian State Revenue Service (2022) it is possible to submit annual reports in three different ways. Either by bringing a hard copy of the annual report to any State Revenue Service (SRS) customer service center, by post, sending it to the headquarters of SRS, or in an electronic form by submitting it to the SRS Electronic Declaration System (EDS). The EDS is closely similar to Estonian E-Business Register, where a client must log in with national code and submit it there, but the biggest difference is that the electronic annual report must be prepared beforehand and is not computer generated leaving more room for errors and personal touches.

In general, the Latvian annual report is sufficient, but it leaves the reader with an unprofessional impression because of the uncoherent table formatting. On the other hand, the notes to the financial statements were extensive and painted a picture for the reader that describes the numerical values in tables. It would be fair to say that there is room for improvement regarding that annual report but overall, it fulfilled its' goal and conveyed the most important information, meaning that an investment decision can be formed based on the given report.

Lastly, the reader is met with Lithuanian annual report which is in separate appendices since the financial data is in Appendix E and the notes to the financial statements are in Appendix F. The annual report of the Lithuanian company is from the year 2021 and firstly the analysis starts from Appendix E where the reader can get acquainted with the submission of annual financial statements of the Lithuanian company. Right from the start, a great structure can be seen where everything runs in logical order and is separated by lines in order to make reading easier. As always, the report starts off with general information about the company and from the third page starts the balance sheet. The company has decided to submit an abbreviated balance sheet and since they are a very small or otherwise known as a micro entity then that is allowed by the Lithuanian Law of Accounting. In the balance sheet

every line is numbered and the whole table is symmetrical. In the table there are subchapters and this time the references to notes are before the values themselves. This kind of compact table gives a potential investor or any reader the best overview without any additional effort on their part. Income statement follows the same kind of structure making the transition smooth and easy to understand. It must be stated that although abbreviated or shortened financial statements seem easier to understand for an investor it is not that beneficial because an investor requires as much information as possible to make an educated decision and in this case, it makes it a lot more difficult to do. But it is not all that bad because in Appendix F where there are notes to the financial statements the reader can get additional information and more exact allocation of resources. Notes to the statements are divided between eight pages giving a good back story for the balance sheet as well as the income statement. As previously, the first chapter in the notes is the accounting policy. This explains how they prepared the annual report and what kind of methods implemented throughout it. Out of the three annual reports this was the longest explanation of accounting policy which, again, for an investor is a green flag. There is no need to go in-depth into the companies' policies because the report is just used for visual and structural example with a focus on the availability of contents but not the contents themselves since it is tried to generalize but the reader in this part can read about accounting principles and methods but also about the assessment of accounting objects. After the text, comes the third chapter with explanatory tables to widen the perspective of balance sheet. Table number 1 in Appendix F explains the residual values of the fixed assets that belong to the company. There the company states the acquisition cost, depreciation, revaluation, and impairment. In this case it is done only with the company's vehicle. Further, the reader will find tables about inventories and receivables, expenses and accrued income, capital, payables, and accrued costs.

According to the State Enterprise Centre of Registers (SECR) an annual report must be submitted by the manager or a person who has the right to act on behalf of a legal entity and for the submission they need to login into the electronic services system of the SECR, there choose the legal entity they are representing and fill in the financial statements, choose the format and upload necessary files that are required from them based on the law. As it was explained earlier, depending on the size of the company they need to submit different files and the person submitting the annual report must know themselves what information they need to submit. This system is closely similar to the one at use in Estonia, but with the addition of uploading files separately.

Overall, the Lithuanian annual report was very clear and coherent making the comprehension and quick and easy. Since it is a very small company there is not as much information disclosed, like cash flow statements, for example, but since it is not required and the company has not bothered to include excessive information, it indicates that foreign investors are not at primary focus for them. It would be great if the notes and the financial statements would be in one file all together excluding any unnecessary movements, but the quality was at a high level meaning that an investor should be able to make an investment decision based on the information provided.

Given all the data there is to gather about annual and financial reporting in the Baltic countries there are quite a few conclusions to be drawn here. Based on the legislative part there were small adjustments here and there in each of the countries' policies but generally all laws followed the same framework. After the interviews with auditors, it became evident that it is not by accident, but it is because all laws were based off the IFRS. Over the years each of the countries have brought in their individual tweaks to the laws that have aligned them more with each countries missions and visions regarding entrepreneurship in their state. The differences in countries' policies arose in different aspects like the classification of entities by size, thresholds and volumes of different auditing services and income taxation among corporations. For the better part of the legislative part, Estonia differed the most with their smaller threshold for micro-entities and highly specific auditing and audit review limits. Latvia and Lithuania had more similarities along those lines including the similarities in contents of annual reports which mostly matched along the three countries.

More visible and tangible differences revealed themselves when the practical comparison came along, and the annual reports needed to be acquired. The following paragraph can not be stressed enough by the reader in regard to the availability of annual reports online. Since this paper focused on the perspective of investors on annual reporting then there is absolutely no doubt that no investors is willing to go through so much trouble to obtain one annual report from a single company. If an investor who is looking for investment opportunities in SMEs in Latvia or Lithuania can not publicly access any annual reports for free, they would probably cancel the search right there and then. That is due to two main reasons: it is either going to drive the research cost extremely high, making no investment profitable enough to cover all costs or it is going to take way too much time to get hands on annual reports by reaching out directly to companies. If we take Estonia for comparison, where all annual reports are a few clicks away with identical formatting making them

extremely comparable, then probably 99% of investors would choose to invest in Estonian SMEs.

Overall, the annual reports were all of good quality just as Alt and Popova said, but still had room for improvement regarding coherence and thoroughness. It becomes increasingly more evident that at the stage of still being a small company, the focus is not on attracting investments but rather on the healthy development of business, but investors are not the only people who consume annual reports. So do also banks, government, competitors and many other institutions that search value in annual reports and transparency within them is crucial for trust and credibility of companies but also for accuracy in finances which portray affair image of the economy.

Conclusion

In conclusion, this comparative study of annual reporting practices in Estonia, Latvia, and Lithuania has provided valuable insights into the similarities and differences in disclosure practices from the investors' perspective. This study aimed to identify the key aspects of annual reporting that are important for investors and how they vary across the three Baltic countries.

Overall, the study found that while there were some differences in annual reporting practices across Estonia, Latvia, and Lithuania, there were also many similarities. For example, in all three countries the minimal amount of information in the annual reports aligned and that in the Laws of Accounting there were many matches like the classification of companies, audit requirements and many other aspects. Additionally, all three reports included a balance sheet, an income statement and notes to the financial statements.

However, there were also notable differences in the level of detail provided in each report. The Estonian and the Lithuanian report, for example, provided a more structured overview of the company's corporate governance practices, including board composition. The Latvian report, on the other hand, more extensive notes on the matters of their financial situation and comments about its' decline.

One of the key findings of this study was that there is a need for greater transparency and comparability in annual reporting practices across the three Baltic countries. This would help to attract more investments and make it easier for investors to make informed decisions about companies in the region. Also, transparency would help to grow the economy faster because it would provide more information which could be beneficial for many parties.

Another important finding was the need for companies to provide cash flow statements. While all three reports did not include cash flow statements it is one of the most

sought after tables in the eyes of the investor since it provides an insight into the company's liquidity, helps to evaluate the quality of earnings because the income statement can not do that and gives a better understanding of any risks or opportunities.

The study also highlighted the importance of regulatory frameworks in shaping annual reporting practices. While Estonia, Latvia, and Lithuania all have similar regulatory frameworks for annual reporting, there were some differences in how these frameworks were implemented. For example, the Estonian report was more structured since they all are identical but Latvian annual reports are created by people and have all unique differences in them.

Based on these findings, it is recommended that companies in Latvia, and Lithuania work to improve the availability and transparency of their annual reporting practices. This could include implementing stronger regulations around corporate governance and ensuring that annual reports are presented in a clear and easy-to-understand manner that would be accessible to anybody. This should not be that hard to achieve since both of the named countries have online business registries that have all of the annual reports in them.

Another recommendation for Latvia and Lithuania, is to move forward and update their annual report submission system, where the data would need to be inputted into existing from where the computer would do additional calculations and generate an annual report, as it is already in Estonia, which would make all annual reports identical for the purpose of easy comparison and less confusion.

Finally, it is important to note that this study has some limitations that should be taken into consideration when interpreting the results. For example, the study only analysed three annual reports from the Baltic region so for countries like Latvia and Lithuania there might be more differences to be found. Additionally, the study focused only on the investors' perspective, and did not consider the perspectives of other stakeholders, such as employees or customers. Despite these limitations, this study provides valuable insights into the similarities and differences in annual reporting practices across Estonia, Latvia, and Lithuania, and highlights the need for continued efforts to improve transparency and comparability in reporting practices.

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Appendices

Appendix A. Interview transcripts

Interviewer: Martin Petukhov

Interview date: 30.03.2023

Interview audio length: 19 minutes

Interview transcription length: 5 pages

Interviewee: Riina Alt, EY Baltics Financial Accounting Advisory Services Leader

Study level: bachelor, 3rd year

Field: Business Administration

Question: Hello. My name is Martin Petukhov. I am a third year business Administration student at the University of Tartu and today I am conducting an interview with Riina Alt. Thank you for agreeing to have this discussion today with me. And the topic we will address today is comparative study of annual reporting practices in the Baltic states. And would it be all right if I recorded our talk?

Answer: Yes, absolutely perfect.

Question: This interview will be only used in respect to my bachelor thesis and will not be distributed in public. And if at any given moment you feel that the following information you are going to share with me is sensitive in some kind of way, then just let me know and I will pause our recording. So, this way this will stay out of my bachelor thesis. So, my first question to you is how would you assess the quality of financial reporting in Baltic countries overall?

Answer: Honestly, as I said briefly previously about my background, then, I am mostly dealing with IFRS and reporters under international financial reporting standards. So, these teams and these clients are quite knowledgeable, know what they do. The financial statements in the Baltics are quite good, especially in comparison with some other countries, because I am performing these IFRS technical reviews not just in the Baltics, but worldwide. So, I have quite a good comparison. So especially from countries from South like Cyprus, Greece, Romania, I think the quality here is very good. But if we talk about overall practice, also including those smaller entities who are applying local GAAP, then maybe not so good because it really depends on the accountants and the quality of them. So that is not always the best. But overall, I think compared to some other countries, we are doing really well in politics.

Question: Okay, so you would say that in small and medium sized enterprises, it is basically up to them how good of a report they want to submit.

Answer: Exactly, yeah, because the requirements are decreasing over time. Also, in Estonia we have these micro entities, small entities, not much is actually needed from them. You do

not even need to present cash flow statements anymore in Estonia and many entities do not need to. But this is actually one of the most useful sets in the financial statements for the readers. But because it's expected that they are so small and they are only interesting to their own employees, but owners, like the group of stakeholders who are interested, are so small. Well, I understand why those reductions are being made, but yeah, it doesn't really assure the overall quality of the financial statements because then entities disclose even less. And whatever they put in the financial statements, in the primary financial statements, balance sheet and income statement, that is even less transparent of what they are doing. So that in turn reduces the quality. That is my opinion. And also, as I'm also a member of the Estonian Accounting Standards Board and Auditors board, then we all have frequent discussions about how to improve the quality to the extent that maybe in the future there will be such a requirement that in every company, the accountant there has to be at least one person who's responsible for accounting, who is qualified. Meaning that they do have a certificate. Not anybody can do financial reporting and accounting. And this is also with the aim to increase the quality to a higher level compared to current.

Question: Okay, understood. And this leads me very well to my next question: can you speak to any significant changes or trends in financial reporting practices you have observed in the Baltic countries in recent years?

Answer: Yes, the requirements are decreasing to make it easier for the reporters, but some things probably will also change for the better going forward because right now this is to my knowledge it's happening in all three public countries that ministers are developing, such as a project for developing something called tagging. It's going to be similar to what is now required from public entities. This is international, that their financial statements have to be tagged so they are electronically readable. And something similar is going to be introduced for smaller entities. Meaning that you will tag your entries already when you book them in. The financial system or director or navigation, whatever anyone is using. And then basically press just one button which generates you the financial statements because everything is already tagged, so it knows what is revenue, what is admin, cost, other operating expenses and so on. That might also have a positive impact on quality. But of course, only if the accounting entries on an everyday basis are being done properly. Whatever accounting software anyone is using, on one hand, requirements are being reduced, which not all of us like, especially auditors. But on the other hand, there are these technological improvements probably coming which maybe will have actually a good effect on the overall quality and definitely on time management and efficiency because it's nice if the financial statements would be immediately ready and then it also would probably assure a better compliance with timing I mean, timing of completion of the financial statements. Because this is also a big problem in all three countries that entities are not presenting them on time. Maybe in Estonia it will be better this year because that's the first year where, well, Accounting Act changed and that's the first year now where entities will immediately be fine. There's no notice anymore. If you're late, you might get, maybe not, but you're exposed to getting a fine immediately without any pre-warning.

Question: Okay, and would you say there are any more advantages or disadvantages with the decrease of these requirements?

Answer: Depends on who is being asked, because I think for those smaller entities it's definitely positive that they don't need to present as much and especially those micro entities, they basically don't need to put anything in the financial statements and that has a positive effect also on them presenting it timely, because it's so easy to do it. You can do it in five

minutes, but then if anyone be the regulator or competitors, anyone who wants to get some information from those financial statements, you actually don't get anything because you only see the balance sheet, basically, and that's it. You don't see much more. Okay, it depends on who needs those financial statements and for what purpose. For some, those decreased requirements are definitely positive news, but for someone else not that much. And also, maybe it's important to note why I'm now talking about the smaller ones, but actually for the larger entities, some of the requirements have been increasing. Because now, since last year, auditors are also required to not give an opinion, but to say something in their opinion about the management report, about the remuneration report, for example, that's applicable for listed entities. But they have to present a separate report for how they remunerate their managers and employees. So, of course, again, this is good for the readers, because they get some level of assurance, but for the entities who need to prepare it and for the auditors whose workload increases. Again, maybe not so good news if clients don't want to pay for that extra work, and then they don't usually.

Question: It is good that you bring this to the light, because in my thesis also, I examine more small and medium enterprises that are not publicly listed. So, this is also important for me to know what applies to what size of entity we are speaking about.

Answer: Yeah, but even with these medium sized entities, maybe also with some smaller ones, there are some requirements which are mandatory now or become mandatory in the future. For public interest entities. They are not mandatory for those small and medium sized entities, but they are still feeling pressured to comply with the same, because otherwise they see that they are not being taken seriously. But this is most strongly felt with ESG reporting, which is those sustainability topics and environmental matters. These disclosures and separate reports are mandatory for the bigger ones. There are more and more requirements coming from 2024, but we see in our practice how those smaller and medium sized entities are already doing the same just to keep up, because they feel that, for example, if they want to get some financing, then the banks will treat them the same. Will ask the same questions. So even if it's not mandatory or required from them, they need it.

Question: Okay, very interesting. Very good. My next question to you is what are some common practices, financial reporting practices in the Baltic countries that may differ from other regions?

Answer: Practise wise, I think Latvia and Lithuania are also different. Well, they have again, some requirements are quite loose compared to international. Estonia is probably at least historically we have always been considered different internationally because of our rig system, where even though it doesn't matter how small you are, you go and you put your information in, all the financial statements look the same. They are available for everyone. Maybe this is also one difference that in many I think even in most other countries, just random people can't have access to financial statements. You can only get access to the public ones; I mean listed entities. But it's not like with us that I go to that rig EE system, I pay a little fee and I can get anything. So that is definitely different. This is very transparent and the system itself, which many people from outside Estonia have admired already for many years.

Question: Okay, very good. That also speaks very well to my research because I have had some trouble already accessing some of the reports, which has made my work a lot tougher. Perfect. But next question now, diving more to the investor side and the investor perspective,

which I also talk about in my bachelor thesis. And the question is what do you consider to be the most important component of a good annual report from an investor's perspective?

Answer: Cash flow statement. Which many entities in Estonia don't have anymore. But yeah, cash flows. This is the number one thing that any investor would look at.

Question: And cash flow is, as I understand, not mandatory?

Answer: It is mandatory in the international GAAP. IFRS and also in Latvia and Lithuania it is mandatory. But in Estonia it's not mandatory anymore. If you are a micro or small entity and small entities, when they present the financial statements, they can pick or select if they want to present a full set or if they want to present the reduced version. And if it's reduced, then they only have a balance sheet, income statement, accounting policies and some specific notes. That's it. So, you don't have a cash flow statement, you don't have an equity movement table, both of which are quite important. But yeah, if you ask from investors, their response is always the same. We want information on cash flows.

Question: And what would you say are the consequences for a company that chooses to submit a shorter version of a report?

Answer: Well, I think if they want to get financing at some stage, they don't have any good report to present, which means that they would need to present something separate, but that something would not be audited. Then if the financier also needs an auditor's opinion, you would need to engage someone and have a second audit. So, if you do the full version in case, you eventually need it for those purposes, it would already be there. And audited if that entity exceeds certain thresholds or reviewed. Because auditors can do two types of engagement here: audit and then some lighter version, which is called review.

Question: Good. Next question is how do the Baltic countries compare to each other in terms of the level of detail and transparency in their financial reporting? You mentioned some already, but if there's anything else, would you say that there are any?

Answer: I think before Estonia introduced these micro and small entity exceptions, we definitely were the best because our local GAAP was based on international GAAP IFRS and our requirements were very similar. Maybe a little bit simplified, but still mostly based on IFRS. So, it was very comparable to the investor with what they are used to seeing in Latvia and Lithuania already. Also, now it's a bit different. I think they have many areas where the companies can basically do whatever they want. It's not regulated, so they just decide something and disclose what is the policy that they created in Latvia, they have their local GAAP and then they can just choose bit by bit that I want to account for something under IFRS, for example. I'm applying local GAAP, but now I decide I want. I don't know leases to be accounted for under IFRS. So, they're just taking it account by account, which is also very different from us. We have our local GAAP. This is explained, and you apply exactly this. So, I think before we introduced those changes, Estonia was definitely the most comparable to international practice and in my personal opinion, the best. Now, we are also having this mixed view. Like some can present very little, some others are still doing pretty much the same as IFRS, just disclosures are a little bit shorter. But accounting standards are basically the same. So, I think now, overall, the three countries, they're all a mess. Okay. Very comparable. Each of us have our own pluses and minuses, but altogether, it's pretty similar.

Question: Okay. Well, my last question, which speaks to my work the most, is what are the main differences and similarities in annual reporting between Estonia, Latvia, and Lithuania.

Answer: Well, all annual reports means that there are more than just financial statements. I think we all have these management reports to start with. Financial statements themselves are quite similar. Just accounting policies might be different. As I said, ours used to be based on IFRS. In Latin Lithuania they were more not diverse, but they were departing from IFRS more than ours. But the overall financial statements I think are quite the same. Maybe the biggest difference is still that we have this very convenient way of presenting them and they are all presented in one format. We have all the mathematical checks done by the system because in Latvia and Lithuania you can still anyone can do whatever they want because they have this loose format. Although in Latvia I know that they have a similar system but entities, they are preparing the financial statements offline and then they need to put some numbers like revenue and total assets to a system so that there are some statistics which the country can make. But it's not like us where you present the full report somewhere and that's your statistics government can take whatever they want from the system. Maybe the biggest difference is the way of presenting them to the authorities. So, does this mean that reports in Estonia are being checked automatically by the tool?

Question: But in Latvia and Lithuania there's human resources needed to check each and every report, right?

Answer: Yes.

Question: Okay, great. Well, that is it, my questions went a little over time, but I thank you for your thorough answers and it was very eye opening and also extremely helpful to me, your answers. I thank you once again.

Appendix B. Interview transcript

Interviewer: Martin Petukhov

Interview date: 31.03.2023

Interview audio length: 11 minutes

Interview transcription length: 4 pages

Interviewee: Oksana Popova, Lead Auditor at PwC

Study level: bachelor, 3rd year

Field: Business Administration

Okay. Hello, my name is Martin Petukhov. I am a third year business administration student. And today I am having an interview with Oksana Popova. Thank you for agreeing to have this discussion with me today. The topic we were going to speak about is annual report practices in the Baltic countries. Would it be alright, if I recorded our talk?

Answer: Yes.

Question: Perfect, this file will only be used in respect to my bachelor thesis and will not be distributed in public. And if at any time you want to share some sensitive information. We can just pause the recording and then pick up where we left off. Okay. My first question to you would be how do you assess the quality of financial reporting in the Baltic countries?

Answer: Well, first of all, let's say I prefer to comment on Estonian financial reporting because I'm not really dealing with the Latvian and Lithuanian reporting. So, I don't have much contact with those. And Estonia, well, I would say the financial reporting quality in general, is I will say it's pretty good. Of course, there is always a difference. Like, what is, what is the size of the entity, right. So how much emphasis they put on financial reporting? So is it something that's really important for them to talk about listed companies. That would be rather high, right. And of course, for those smaller companies, it would be like, you know, a matter of ticking the mark, right. So, you have to present something to, to the commercial registry, and then those in between of course, it differs. Yeah, it might be higher for one entity and lower for the others. Of course, it's also different depending on who is the auditor, because it's quite often that if you have someone from the Big Four, the quality would Obviously being much higher and yeah, I'm not saying that's all smaller, auditors are doing, like not doing the proper job but then yeah it might differ obviously.

Question: And if we go on this topic, can you speak to any significant changes or trends in financial reporting practices? You have observed in the Baltic countries in recent years.

Answer: Yeah. So, we're speaking about Local GAAP, right. So not IFRS.

Question: Yes, local GAAP.

Answer: Basically, what Estonian local GAAP does, it tries to follow IFRS at most. Well, in most items in most directions, it is simpler than IFRS. So, it kind of, you know, this this accounting board, they more or less try to analyse IFRS and see where this, you know, is practical to Make some simplifications. For example, I don't know you're not allowed to show PPE in fair values that you are in IFRS because you know it's ideas to make the reporting simpler and more comparable. So, and when there are changes in IFRS then mostly Estonian local GAAP tries to follow it. Of course, not at once. But you know, with some delay and there have been well, it's not recently, it's been like I think like a couple of years ago that there were some comments made about this Estonian GAAP saying that in areas where it is not that not regulated by Estonian GAAP, please go and look at IFRS. So basically, that link was clarified a couple of years ago. I'm not sure of the date. Exactly but I think it's somewhere. Yeah, you can find it on the Internet if you search for it. But yeah, that kind of clarification was issued a couple of years ago. I think it was 2021.

Question: Okay, so you would say that the quality has risen along the years?

Answer: yes. Well, it's kind of it's not changing much, so it's actually quite stable. And the changes are minor, and they are rather like, you know, like additional clarifications without changing the standards themselves. So yeah. And in recent years they haven't there been any major changes.

Question: Okay, okay. Now, if we go more to the comparison side, then what are some common financial reporting practices in the Baltic countries that may differ from other regions?

Answer: Well, again I don't know many details about Latvia Lithuania. for Latvia. I know, there is this interesting point that Latvian GAAP allows you to follow IFRS in like any area that you choose. So, if you look at Estonia, you can either select IFRS and do full IFRS or you can do local GAAPs, so you cannot mix them up. And Latvia actually allows you to mix them up. So, if whatever Latvian GAAP allows you, or tells you to do something and you say, Okay, I don't want for example, I don't know what exactly Latvian GAAP says about PPE. But for example, if that would not allow you to show PPE in fair value, you would say, Okay, I'm doing PP&E in accordance with IFRS and I'm doing it right. So that's what it says basically. So, you can actually pick and choose.

Question: That's interesting.

Answer: Yeah, and with Estonian GAAP, it kind of specifically allows you to follow IFRS in certain points. And this is, for example, IFRS 16 for leases. And when IFRS 16 was first introduced, was it 2019 I think then Estonian GAAP was changed. And there was this introduction. Now, you can follow IFRS. Okay. So basically, you don't split between this finance and operating lease you just show everything as a finance lease, right. So, this is the essence of IFRS 16.

Answer: And that was made for basically, for the reason that, you know, we have a lot of entities, who do group reporting under IFRS and then they just started to report under local GAAP, right. So, Basically, that means that they would need to keep double accounting to follow both, and that was made to allow those entities basically to have just one reporting. That would differ significantly.

Question: Okay, Interesting. Great now. Also in my paper, I speak a little about investors' perspectives. So, what do you investors like to see in annual reports and so on? And from this comes my question to you, which would be, what do you consider to be the most important components of a good annual report, from an investor's perspective?

Answer: well, from investors perspective, obviously IFRS would be more informative. So, it would be most valuable because, yeah, IFRS requires you to disclose much more information on major changes on risk management on management estimates. So basically, that all is not required by local GAAP. I cannot speak for Latvia and Lithuania. I'm not sure what they are requesting, probably it's similar. So, we have the reports that would be smaller and simpler and lighter. But yeah, so obviously for investors it would be much more valuable to have just IFRS reporting and that's what larger companies do and also like not public companies but also those who just want to attract finance, you know, to move maybe to larger markets and attract investors. So basically, if you want to be more attractive, yeah. For investors than just move to IFRS.

Question: And can you speak to any specific differences? That would be there if we look at it. For example, Estonia's, local GAAP, and the IFRS, what would investors see? And what he wouldn't see in case of one another.

Answer: Yeah, so if we're speaking about disclosures then disclosure requirements are obviously much more significant in IFRS. So yeah, I don't know, for example, this risk

management. So IFRS would have a separate note for these management risks, like liquidity risks, and then capital risk management and credit risk management. So, the whole that note would just be missing from the Estonia Local GAAP report. Yeah, then IFRS would basically require you to add a comment on every significant change in the revenues that have increased. I don't know, PPE has increased whatever inventories have decreased. So, it happened, and it makes sense, Basically, every auditor would require that, that you kind of like to add the comment on significant changes. So yeah. Examples like that. And then for, for example, if you have a business combination, if you have acquired a subsidiary, then that would mean that in Estonian GAAP. You would just have like maybe a couple of sentences. Maybe a small table and that IFRS would require like some two pages disclosure, for example, like what you have bought, what were the numbers? Where have you put them? How have you assessed the fair values and everything? So that would be quite different.

Question: Okay, so it's more like the thorough descriptions of everything, right.

Answer: Yeah. Yeah.

Question: Okay good. And now, the next question is, how do the Baltic countries compare to each other, as much to your knowledge on the level of detail and transparency in their financial reporting?

Answer: I wouldn't be able to comment on that. It's quite a wide kind of topic. You would need to find someone who deals with all the three Baltic countries and that's pretty difficult.

Question: Yeah, I was warned of that so it's okay. It's totally fine.

Answer: You might be able, you know, to find, for example, reports of similar, like, subsidiaries of the same group from different countries and then you can see what they are disclosing. So, you know, you might be something that could help you potentially.

Question: Mm-hmm. Okay, well the last question also requires more extensive understanding but still I'm going to ask anyway. What are the main differences and similarities in annual reporting between the three, mentioned countries,

Answer: Well. Again, what I know is what I've mentioned about the Latvian GAAP, allowing you to follow up IFRS so that's what I know but I don't really know much more about the reporting requirements in other countries.

Question: Okay, okay. Again. Yeah, I totally understand because when I chose the topic and when I spoke to some experts of the field, they said it would be really difficult to gather research on all three like combined together and comparison.

Answer: I think what you might be able to find is the comparison of each local GAAP to IFRS. And then you kind of can try to compare through IFRS differences. So, it could be an option.

Question: Yeah, this could be definitely an option. The questions from my side are over. I thank you a lot still for the interview and now we stopped the recording.

FISCAL YEAR REPORT

beginning of the reporting year: 01.01.2021

end of reporting year: 31.12.2021

business name: [REDACTED]

registry code: 11051822

street/farm name, [REDACTED]

house and apartment number:

City: Tallinn

County: Harju County

zip code: 10151

phone: [REDACTED]

fax: [REDACTED]

e-mail address: [REDACTED]

2021 Fiscal year report

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2021 Fiscal year report

Activity report

was founded in 2004. In the same year, economic activity was started and it was until 2021

the main activity is wholesale of precious metals (46481). In 2021, the sales revenue was

585,317 euros.

The company deals with the sale of jewelry. The main part of the stock is gold jewelry without precious stones and gold jewelry with diamonds

with other precious stones. As the dynamics of the market prices of gold and diamonds show a very significant increase, the actual market value of the jewelry on our account

is considerably higher than their balance sheet value reflected in the financial year report.

The average number of employees of in the financial year was 2 employees. In 2021, the company's labor costs amounted to 18,300 euros.

The Council had 2 (two) members. The fees of the company's board members amounted to 7,481 euros in the financial year.

Taking into account the forecasts of the business and financial environment for the following year, the main goals of

are to maintain the market share in Estonia.

There were no significant events during the preparation of the financial statements for the 2021 financial year.

2021 Fiscal year report

Annual accounting report

Balance sheet (in euros)

	31.12.2021	31.12.2020	Lisa no
Assets			
Current assets			
If	21 987	111 267	2
requirements and advance payments	178 774	127 045	3
Supplies	792 421	809 677	4
Total current assets	993 182	1 047 989	
Fixed assets			
Tangible fixed assets	1 554	2 503	6
Total fixed assets	1 554	2 503	
Total assets	994 736	1 050 492	
Liabilities and equity			
Obligations			
Current liabilities			
Loan obligations	30 000	6 957	7
Debts and advances	140 344	219 045	8
Total current liabilities	170 344	226 002	
Total liabilities	170 344	226 002	
Equity			
Share capital at nominal value	2 556	2 556	10
Mandatory reserv capital	639	639	
Retained earnings (loss)	761 294	748 864	
Profit (loss)	59 903	72 431	
Total equity	824 392	824 490	
Total liabilities and equity	994 736	1 050 492	

2021 Fiscal year report

Income statement
(in euros)

	2021	2020	Lisa no
Sales revenue	585 317	428 281	11
Goods, raw material, materials and services	-468 270	-318 635	12
Miscellaneous operating expenses	-22 007	-15 026	13
Labor costs	-18 300	-12 310	14
Depreciation and depreciation of fixed assets	-1 759	-2 364	
Other operating expenses	0	-231	
business profit (loss)	74 981	79 715	
Interest expenses	-78	-701	
Other financial income and expenses	0	-333	
Profit (loss) before income tax	74 903	78 681	
Income tax	-15 000	-6 250	
Profit (loss)	59 903	72 431	

Appendices to the annual accounting report

Appendix 1 Accounting principles

general information

annual accounting report for 2021 has been prepared in accordance with good Estonian accounting practice, which is based on internationally recognized accounting and reporting principles. The basic requirements of good accounting practice are established by the Accounting Act and are supplemented by the guidelines issued by the Accounting Committee.

profit statement has been prepared on the basis of the profit statement scheme No. 1 given in Appendix 2 of the Accounting Act. The annual accounting report is prepared in euros.

If

Cash and cash equivalents include cash in hand and in the bank, demand deposits, short-term (less than 3-month maturity) bank deposits and money market fund units that do not have a significant risk of a change in market value.

requirements and advance payments

Receivables from buyers are recorded in the balance sheet at adjusted acquisition cost. Unreceived invoices from buyers are estimated in the balance sheet based on the amounts likely to be received. At the same time, each customer's unpaid invoices are evaluated separately, taking into account the known information about the customer's ability to pay. Doubtful receivables are recorded in cost of goods sold. Unreceived invoices from buyers, whose payment term is overdue by more than 180 days, have been expensed in full. Bad debts have been written off the balance sheet. Receipts of previously impaired bad debts are recorded as a reduction of bad debt expense.

Supplies

Inventories are recorded at their acquisition cost, which consists of purchase costs, production costs and other direct costs necessary to bring the inventories to their existing location and condition.

The FIFO method is used for accounting for inventory costs and calculating the book value of inventory. In the case of work-in-progress and finished goods, production overheads are allocated to inventories based on the company's normal production volumes.

Inventories are recorded in the balance sheet based on which is lower, their acquisition cost or net realizable value. Materials and work-in-progress are depreciated if the estimated acquisition cost of finished products made from them exceeds the net realizable value of the same finished products.

Inventory discounts to their net realizable value are recorded as cost of production (goods, services) sold during the discount period.

Tangible and intangible fixed assets

When recording tangible fixed assets in the balance sheet, the accumulated depreciation and discounts resulting from the decrease in the value of the asset are deducted from its acquisition cost.

Based on the principle of materiality, those assets whose acquisition cost exceeds 320 euros and which have a useful life of more than one year are recorded as fixed assets. Assets with a lower acquisition cost or a shorter useful life are expensed when put into use and are accounted for off-balance sheet.

If such expenditures have been made on the object of tangible fixed assets that meet the definition of tangible fixed assets, then these expenditures are added to the acquisition cost of the object of fixed assets. Expenses related to ongoing maintenance and repairs are reflected in the expenses of the reporting period.

320, the lower limit of accounting for fixed assets

Useful life by fixed asset group (in years)

Fixed asset group name	Useful life
Muu inventory	3
Means of transport	7

Rentals

A capital lease is considered a lease relationship in which all significant risks and benefits related to property ownership are transferred to the lessee. The remaining leases are treated as operating leases. Company as lessee

Assets leased on the basis of a capital lease are recorded in the balance sheet in the sum of the fair value of the asset and the leased asset as a liability. Lease payments payable are divided into finance charge and reduction of liability. Finance costs are recognized during the lease term.

2021 Fiscal year report

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Revenues

Income from the sale of goods is recognized when significant risks and benefits related to ownership have been transferred to the buyer and the sales income and expenses related to the transaction can be reliably measured.

Income from the sale of services is recognized based on the completion method, revenues and profits from the provision of services are recognized proportionally in the same periods as the expenses associated with the provision of services.

Appendix 2 Money

(in euros)

	31.12.2021	31.12.2020
Cash at checkout	15	1 612
Current accounts	21 972	109 655
Total money	21 987	111 267

Appendix 3 Claims and advances (in euros)

	31.12.2021	during 12 months
Claims against buyers	178 774	178 774
Not received from buyers bills	178 774	178 774
Total requirements and prepayments	178 774	178 774
	31.12.2020	during 12 months
Claims against buyers	127 045	127 045
Uncollected debts from buyers	127 045	127 045
Total claims and advances	127 045	127 045

Appendix 4

Inventories (in euros)

	31.12.2021	31.12.2020
Goods purchased for sale	792 421	809 677
Total inventory	792 421	809 677

2021 Fiscal year report

Appendix 5 Tax advances and tax debts (in euros)

	31.12.2021	31.12.2020
	Tax debt	Tax debt
Value added tax	18 808	12 910
Personal income tax	325	546
Income tax on the special benefit	27	80
Social tax	753	949
Compulsory savings pension	15	76
Unemployment insurance payments	18	32
Total tax advances and tax debts	19 946	14 593

Appendix 6 Tangible fixed assets (in euros)

			Together
	Means of transport	Other material fixed assets	
31.12.2019			
Acquisition cost	5 179	15 771	20 950
Accumulated expense	-2 159	-13 924	-16 083
Residual value	3 020	1 847	4 867
Depreciation expense	-1 104	-1 260	-2 364
31.12.2020			
Acquisition cost	5 179	15 771	20 950
Accumulated expense	-3 263	-15 184	-18 447
Residual value	1 916	587	2 503
purchases and improvements		810	810
Depreciation expense	-1 104	-655	-1 759
31.12.2021			
Acquisition cost	5 179	16 581	21 760
Accumulated expense	-4 367	-15 839	-20 206
Residual value	812	742	1 554

2021 Fiscal year report

Appendix 7 Loan obligations (in euros)

	31.12.2021	Distribution by remaining term		
		during 12 months	1 - 5 years during	over 5 years
Short-term loans				
Other loans	30 000	30 000		
Short-term loans together	30 000	30 000		
Loan obligations together	30 000	30 000		

	31.12.2020	Distribution by remaining term		
		during 12 months	1 - 5 years during	over 5 years
Short-term loans				
Bank loan	6 957	6 957		
Short-term loans together	6 957	6 957		
Loan obligations together	6 957	6 957		

Appendix 8 Debts and advances (in euros)

	31.12.2021	during 12 months
Debts to suppliers	1 876	1 876
Debts to contractors	1 957	1 957
Tax debts	19 946	19 946
Other debts	116 565	116 565
Dividend debts	115 979	115 979
Other accruals	586	586
Total debts and advances	140 344	140 344

	31.12.2020	during 12 months
Debts to suppliers	104 423	104 423
Debts to contractors	1 234	1 234
Tax debts	14 593	14 593
Other debts	98 795	98 795
Dividend debts	98 314	98 314
Other accruals	481	481
Total debts and advances	219 045	219 045

OU MEDIAN

2021 Fiscal year report

Appendix 9 Debts to suppliers (in euros)

	31.12.2021	31.12.2020
Debts to suppliers	1 876	104 423
Total debts to suppliers	1 876	104 423

Appendix 10 Share capital (in euros)

	31.12.2021	31.12.2020
Share capital	2 556	2 556
Number of parts (pcs)	2	2

Appendix 11 Sales revenue (in euros)

	2021	2020
Sales revenue by geographic region		
Sales to European Union countries		
Estonia	585 225	410 236
Latvia	92	18 045
Sales to European Union countries, total	585 317	428 281
Total sales revenue	585 317	428 281
Sales revenue by business area		
Jewelry wholesale	585 317	428 281
Total sales revenue	585 317	428 281

Appendix 12 Goods, raw materials, material and services (in euros)

	2021	2020
Goods purchased for sale	468 270	318 635
Total goods, raw materials, material and services	468 270	318 635

2021 Fiscal year report

Appendix 13 Miscellaneous operating expenses (in euros)

	2021	2020
Rent and rent	2 538	1 758
Miscellaneous office expenses	3 171	2 257
State and local taxes	5 227	5 554
Car expenses	3 954	2 276
Renovation	1 694	0
Other	5 423	3 181
Total miscellaneous operating expenses	22 007	15 026

Appendix 14 Labor costs (in euros)

	2021	2020
Salary expense	13 512	9 231
Social taxes	4 435	2 857
Pension expense	211	173
Unemployment insurance tax	142	49
Total labor costs	18 300	12 310
Average number of employees reduced to full-time	2	1

Appendix 15 Related parties (in euros)

Fees and other significant benefits accrued to executive and senior management	2021	2020
Calculated fee	7 481	6 510

Appendix 16 Events after the reporting date

There were no significant events after the balance sheet date when preparing the 2021 annual report

Report digital signatures

The report completion date is: 03.06.2022

AS [REDACTED] (registration code: [REDACTED]) 01.01.2021 - 31.12.2021 financial year report data accuracy has been confirmed electronically by:

Name of signer	Signatory role	Signing time
[REDACTED]	Board member	03.06.2022
[REDACTED]	Board member	03.06.2022

Profit distribution proposal (in euros)

	31.12.2021
Retained earnings (loss)	761 294
Profit (loss)	59 903
Together	821 197
Allocation	
For dividends	50 000
Together	50 000

Profit distribution decision (in euros)

	31.12.2021
Retained earnings (loss)	761 294
Profit (loss)	59 903
Together	821 197
Allocation	
For dividends	50 000
Together	50 000

Distribution of sales revenue by business area

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue %	Main activity
Wholesale of watches and jewelry	585317	585317	100.00%	Yes

Partners

Name / business name	Personal code / registry code / date of birth	Residence / Location	Size of holding and currency
[REDACTED]	[REDACTED]	Estonia	1278 EUR (Common property)
[REDACTED]	[REDACTED]	Estonia	1278 EUR (Common property)

Communication tools

Species	Content
Telephone	[REDACTED]
Fax	[REDACTED]
Mobile phone	[REDACTED]
E-mail address	[REDACTED]

Machine Translated by Google



Unified registration number: 40003825662

Legal address: Riga, Bīrtapu iela 2 - 11, LV-1058, Latvia

2020 report

Riga, 2021

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Martin Eher Group, SIA

Legal address: Spriņģu iela 2 - 11, Rīga, LV-1058

Unified registration number: 40003825992

2020 report

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Unified registration number: 40003825662

2020 report

BALANCE SHEET

ACTIVE31.12.2020 31.12.2019
EUR EUR**LONG-TERM INVESTMENTS**

Fixed assets, investment properties and biological assets II Other fixed assets and inventory 6.	0	198
Fixed assets, investment properties and biological assets together	0	198
Long-term financial investments together	0	0
TOTAL LONG-TERM INVESTMENTS	0	198

CURRENT ASSETS Inventories I

3. ready products and goods for sale	31428	132053
Stocks together	31428	132053
II Debtors		
Debts of buyers and customers	15557	57988
1. 4Other debtors	464	
Costs of future periods 7.	0	0 249
Debtors together	16021	58237
IV Money	1562	35084
TOTAL CURRENT ASSETS	49011	225374
ACTIVE TOGETHER	49011	225572

The appendix from pages 7 to 11 is an integral part of this financial statement.

On behalf of the company, the financial statements are approved by:

Chairman of the Board *[Signature]**signature*SIA "Pudis SIA" accountant *[Signature]**signature*

Rīga, April 6, 2021

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Martin Eher Group, SIA

2020 report

Legal address: Bīrostapa iela 2 - 11, Rīga, LV-1058

Unified registration number: 40003625862

BALANCE SHEET

<u>PASSIVE</u>	31.12.2020	31.12.2019
	EUR	EUR
EQUITY Capital of		
shares or shares (share capital) 1.	2840	2840
Retained earnings or uncovered losses of previous years 6.	13615	6555
Profit or loss for the reporting year 7.	-252	7060
TOTAL EQUITY	16203	16455
LONG-TERM CREDITORS Other		
loans 4.	0	7500
TOTAL LONG-TERM CREDITORS	0	7500
SHORT-TERM CREDITORS		
5. Advances received from buyers	0	1200
Debts to suppliers and contractors 6.	15744	90998
Taxes and mandatory state social insurance contributions 10.	448	5875
11. Other creditors	27	924
Unpaid dividends 13.	16455	102440
14. Accumulated liabilities	134	180
TOTAL SHORT-TERM CREDITORS	32808	201617
PASSIVE TOTAL	49011	225572

The appendix from pages 7 to 11 is an integral part of this financial statement.

On behalf of the company, the financial statements are approved by:

Chairman of the Board *[Signature]*

signature

SIA Pūķis SIA accountant *[Signature]*

signature

Rīga, April 6, 2021

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Martin Elvar Group, SIA

2020 report

Legal address: *Syltapa iela 2 - 11, Rīga, LV-1058*Unified registration number: *40003825662***PROFIT OR LOSS CALCULATION** (classified
by expense function)

	01.01.2020 31.12.2020	01.01.2019 31.12.2019
	EUR	EUR
Net turnover: 1.	129552	150639
<i>from other core activities</i> Cost of	129552	150639
production of sold products, cost of purchase of sold goods or 2. services	-121394	-135220
provided 3.		
Gross profit or loss 4.	8158	15419
Cost of sales	-5729	-9467
Administration costs 5.	-2038	-3630
Other economic activity revenues 6.	456	4888
Other economic activity costs 7.	-1099	-150
Profit or loss before corporate income tax 13.	-252	7060
Profit or loss after calculation of corporate income tax 15	-252	7060
18. Profit or loss for the reporting year	-252	7060

The appendix from pages 7 to 11 is an integral part of this financial statement.

On behalf of the company, the financial statements are approved by:

Chairman of the Board *Ignat Pufendor*

signature

SIA Elvar Group SIA accountant *Rīga Elvar Group*

signature

Rīga, April 6, 2021

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Martin Ehair Group, SIA

Legal address: Bīrtņotņu iela 2 - 11, Rīga, LV-1058

Unified registration number: 40003825462

2020 report

Appendix or notes to the financial statement

1. Information provided by the company

1.1. Average number of employees

2

1.4. Information on the adopted accounting policy, its changes and compliance with the assumption that the

company will continue to operate. The company has been prepared in accordance with the laws of the Republic of Latvia "On accounting", "The law on annual reports and consolidated annual reports" and other regulations governing accounting and annual reports acts.

The profit or loss statement is prepared according to the expense function method.

The financial report has been prepared on the assumption that the company will continue to operate, accounting and valuation methods have been applied consistently compared to the previous financial year and valuations have been made with due care.

Compared to the previous reporting year, the accounting and evaluation methods used in the company have not changed.

In March 2020, restrictions related to the spread of the coronavirus came into force in the Republic of Latvia and many other countries, which significantly reduce economic development in the country and in the world. It is not predictable how the situation could develop in the future, and therefore, there is uncertainty of economic development. The Company's management continuously evaluates the situation, including the impact of the crisis caused by the coronavirus on the Company's operations, and believes that the principle of going concern in the preparation of the financial statement is fully applicable. The crisis caused by the coronavirus did not affect the Society in 2020, but it did in 2021. The turnover decreased compared to 2020, and in January-March 2021 it was 0.00 EUR per month on average, which is 100% less, but has not had a significant impact on the overall operation, because until the restrictions are removed, the company will resume its economic activity at the previous level. For December 2020, the company's employees were paid a state wage subsidy in the amount of EUR 109.01. The following measures are expected to be taken in order to reduce the impact of the crisis caused by the corona virus on the continuation of economic activity: increasing the assortment due to new models, working online with customers in other countries, visiting exhibitions (when this opportunity is available), social media advertising campaigns.

1.4.1. accounting of long-term investments:

1.4.1.2. inventory of fixed assets (valuation, depreciation method, inventory of animals and plants)

Movable or immovable physical things are recognized as fixed assets, which meet all the conditions for their recognition established by the legislation of the Republic of Lithuania and their initial value exceeds 500 EUR.

Fixed assets are indicated in the balance sheet at their net value, which is calculated from the initial value of the fixed asset or another accounting value, with which this value is replaced after the initial value is determined (hereinafter - the accounting value of the fixed asset), minus depreciation, which is calculated from the next month following the month when the fixed asset begins to be used for the intended purposes, until the balance sheet date (including the adjustments made) (hereinafter - accumulated depreciation), and all value write-offs made (for example - losses from a reduction in value).

The initial or other accounting value of a fixed asset is gradually written off during its useful life, using the linear depreciation method to calculate the depreciation of fixed assets.

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Unified registration number: 400038254822

2020 report

1.4.2.1. inventory accounting

Inventories are initially valued at acquisition cost.

The periodical inventory method of goods movement is used for stocks. Inventory balances are verified in the annual inventory.

The cost of inventories is accounted for using the FIFO method.

1.4.2.2. accounting policy of provisioning for bad debts

Accounts receivable whose collection is doubtful are valued at net value.

If doubts arise regarding the recovery of receivables recognized in the reporting year or previous reporting years, in the current reporting year, provisions for doubtful debts are made in the amount of doubtful amounts, while including the relevant amount as a cost in the profit or loss statement.

A debt is considered unsecured if the debtor is in financial difficulties and has been declared insolvent by a court decision, if the debt has not been paid within the specified term, as well as after receiving a reminder, if the debtor has disputed the right to collect the debt, as well as in other cases.

During the reporting year, no provisions were made for doubtful debtors.

1.4.4. accounting of creditors

Accounts payable balances are indicated in the balance sheet according to justification documents and entries in the company's accounting registers and are reconciled (compared) with the relevant creditors by comparing balances on the balance sheet date. In the event of a dispute, the accounts payable balance shall be indicated in the balance sheet according to the company's accounting data.

Accrued liabilities

Indicates the clearly known amounts of liabilities to suppliers and contractors for the goods or services received in the reporting year, for which a relevant settlement document (invoice) has not yet been received as of the balance sheet date.

The liability amounts are calculated on the basis of the price specified in the relevant contract and the documents certifying the receipt of the actual goods or services.

1.4.5. revenue recognition principles

In the items of the balance sheet and profit or loss statement, the amounts are stated according to the accrual principle, that is, the revenue is stated taking into account the time of their occurrence, not the time of receipt or issue of money. Revenues related to the reporting year are indicated regardless of the date of receipt of the payment or invoice.

Revenue is recognized when goods are shipped to customers and title is transferred to customers.

Revenues are shown after deducting certain granted discounts (there are other discounts that are reflected in the composition of expenses).

Interest income is recognized on a pro rata time basis, taking into account the actual yield of the assets.

Fines are recognized in revenue when they are received.

1.4.7. principles of expense recognition

In the items of the balance sheet and profit or loss statement, amounts are indicated according to the accrual principle, that is, expenses are indicated taking into account the time of their occurrence, not the time of receipt or issue of money. The expenses related to the reporting year are indicated regardless of the date of receipt of the payment or invoice. Costs are reconciled with revenues in the relevant accounting periods.

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Martin Ehair Group, SIA

2020 report

Legal address: Brīvības iela 2 - 11, Rīga, LV-1058

Unified registration number: 400038254602

1.4.8. additional information provided, if any*Transactions in foreign*

currencies Foreign currency cash balances, balances of advances, loans or borrowings, as well as other balances of receivables or payables in foreign currencies, indicated in the balance sheet, converted into euros in accordance with the foreign currency used in accounting exchange rate valid on the balance sheet date (end of day).

The company does not have transactions in foreign currencies that do not have a euro reference rate published by the European Central

	Bank.	31.12.2019
USD	31.12.2020	1.22710 1.12340

Exchange rate fluctuations and currency conversion transactions The

company shall state the profit or losses arising from foreign exchange rate fluctuations in the profit and loss statement in the net value, which is calculated as the difference between revenues and expenses incurred in the reporting year due to foreign exchange rate fluctuations.

Related parties If

one person can control the other or if it has significant influence over the other person by making decisions related to finance or economic activity, then they are considered related parties. Shareholders, high-level management, board and council members, their close family members and companies that directly or indirectly through one or more intermediaries control the Company or are controlled by the Company or under common control with the Company are considered related parties.

(The term "related parties" corresponds to the Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting several international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council, Annex 24 .for the term used in the IAS "Disclosure of information about related parties")

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, whether or not a fee is charged.

Control is the ability to determine the company's financial and operating policies in such a way as to benefit from its operations.

Joint control is the mutual sharing of control over economic activity determined by the contract.

Key management personnel are those persons who are directly or indirectly authorized and responsible for the planning, management and control of the company's operations, including any director (whether executive director or others) of this company.

Significant influence is the right to participate in the decision-making of the company's financial and operating policy, but it does not mean control over this policy. Substantial influence can be obtained through share ownership, articles of association or contract.

Abbreviations and designations

PZA	Profit or loss statement
EDS	Electronic declaration system
URVN	Business risk state fee
GP	Annual Report
FP	Financial Statements
PL	Fixed assets

Machine Translated by Google

Martin Eber Group, SA

2020 report

Legal address: Spriņģu iela 2 - 11, Rīga, LV-1058

Unified registration number: 400038219602

1.7. Explanation of departure from any principle or rules of recognition, measurement and presentation of financial statement items prescribed by law

The annual report has been prepared in a consolidated form based on Article 57 of the Law on Annual Reports and Consolidated Annual Reports.

The company has not prepared a Management Report based on Article 56 of the Law on Annual Reports and Consolidated Annual Reports.

The Annual Report is not accompanied by a Management Report based on Article 99 of the Law on Annual Reports and Consolidated Annual Reports.

2. Explanation of the corrections of the figures of the previous year's report,

there are no corrections

3. Explanation of balance sheet items. Active**3.1. Explanation of long-term investment items 3.1.2. fixed assets: 3.1.2.4. other****fixed assets and inventory (information on the balance sheet item "Other fixed assets and inventory")**

Acquisition cost or cost of production: at the beginning of the reporting year at the end of the reporting year

Sum

2316

2316

Disposal or liquidation in the reporting year
Exclusion of PL

Sum

799

Accumulated impairment adjustments: at the beginning of the reporting year at the end of the reporting year

Sum

2118

1517

Impairment corrections calculated for the reporting year
Depreciation for the reporting year

Sum

198

Changes in the total amount of accumulated impairment adjustments in connection with the disposal, liquidation or transfer of the object to another item
Exclusion of PL

Sum

799

Balance value:

at the beginning of the reporting

Sum

198

year at the end of the reporting year

0

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Martin Ehear Group, SIA

Legal address: Bīrziņģu iela 2 - 11, Rīga, LV-1058

Unified registration number: 40003825462

2020 report

4. Explanation of balance sheet items. Passive**4.5.8. additional information on the liability items of the balance sheet, if necessary to obtain a true and clear picture****Information about the share capital of the Company**

The share capital of the Company consists of 20 shares, the nominal value of one share is EUR 142.00.

Taxes and mandatory state social insurance contributions

	Sum
At the beginning of the reporting year	5875
At the end of the reporting year	448
Changes	-5427

5. Explanation of the profit or loss statement**5.2. Explanation of the financial assistance received in the reporting year and in previous reporting years**

	Financial aid provider	When received (year)	Sum	Purpose of receipt	Rules	The amount to be refunded in the accounting year, if one of the conditions is not fulfilled for us
1	State Revenue Service	2021	241	for ensuring the flow of working capital	Rules of the MK No. 676	0
2	State Revenue Service	2021	215	for ensuring the flow of working capital	MK Regulations No. 676	0

On behalf of the company, the financial statements are approved by:

Chairman of the Board: *Igor Poljanec*_____
*signature*SIA "Prest" SIA accountant: *Olga Stradiņa*_____
signature

Rīga, April 6, 2021

Limited liability company *Merito Group Reg. No.*
4001367960 2020
 Annual report for the
 period from 01.01.2020 - 31.12.2020

MEETING MINUTES NO. 1/2021

Riga,

April 6, 2021

Chairman of the
 meeting: Chairman of the Board *Igor Polifronov*

Recorder:
Maksim Polubinskiy

Participating: members *Igor Polifronov* with 10 shares representing 50% of the share capital and *Maksim Polubinskiy* with 10 shares representing 50% of the share capital.

The meeting has the right to make decisions because 100% of the total share capital is represented.

Agenda:

1. Approval of the annual report for 2020

DECIDED:

1. To approve the annual report for 2020.	
2. Balance sheet according to the company's financial position as of December 31, 2020.	EUR 49,011
3. Profit or loss statement according to the cost of turnover method with a statement of losses.	- EUR 252

5. Approve the appendix to the annual report.

6. The annual report is prepared in a consolidated form based on Article 57 of the Law on Annual Reports and Consolidated Annual Reports.

7. The company has not prepared a Management Report based on Article 56 of the Law on Annual Reports and Consolidated Annual Reports.

8. The Annual Report is not accompanied by a Management Report based on Article 99 of the Law on Annual Reports and Consolidated Annual Reports.

Limited liability company *Merito Group*
 Participants:

Igor Polifronov

Maksim Polubinskiy

CONFIRMED

of the Minister of Justice of the Republic of
Lithuania in 2013 January 17 by order no.
1R-17 (revision of Order No. 1R-325 of the
Minister of Justice of the Republic of Lithuania of December 20, 2017)

SUBMISSION OF ANNUAL FINANCIAL STATEMENTSName of the legal entity **UAB "Linas"**Legal entity code **300000017**Legal form of legal entity **Closed joint stock company**Legal status of legal entity **Legal status is not registered**Legal entity's registered office (address) **Ukmergės raj. Savivaldybės administracija, Ukmergės g. 19-02**Data is collected and stored in the **Register of Legal Entities**Kit code **300000017**Kit no. **1000000**Reporting period from **01/01/2020** to **12/31/2020**Activity category of legal entity **SMALL AND VERY SMALL, NON-EXCEPTIONS, COMPANIES**

Financial reporting category -

Method of preparing cash flow statement -

Date of establishment **2021-04-30**Approval date **2021-04-30**

Average annual number of employees according to list 2

Types of activities:

4777 Retail sale of watches, jewelry and jewelry in specialized storesAccuracy **1 (units)**Currency **EUR**

This kit comes with:

The number of pages of the explanatory note is **8**

Number of pages in the annual report -

The number of pages of the auditor's report -

Number of pages of the audit report -

Number of pages of the statement of payments to public authorities -

Number of sheets of approved financial statements -

Details of the manager signing the financial statements:

Personal code (not revealed) *********

Foreign country code -

Personal code of a foreign citizen (not disclosed) -

My name is **Michael**The surname is **Michael**Job Title **Director**

The person who signs the financial statements, data of the accountant (accountant)
or other person who can handle accounting:

Personal code (not revealed) *********

Foreign country code -

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2-5

Personal code of a foreign citizen (not disclosed) -

Name **UAB**

Last name **Druskaitis**

Position title **Chief, accountant UAB "Druskaitis"**

Other data -

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3-5

BALANCE SHEET (Abbreviated)Name of the legal entity **ÜB "Ameer"**Legal entity code **80000071**Legal form of legal entity **Closed joint stock company**Legal status of legal entity **Legal status is not registered**Legal entity's registered office (address) **Praktiliseks, aadressid nr 9-10**Data is collected and stored in the **Register of Legal Entities**Kit code **0000000000**Kit no. **000000**Reporting period from **01/01/2020 to 12/31/2020**Date of establishment **2021-04-30** No.

Information is provided in 1 (units)

Row No.	ARTICLES	Notes no.	The reference period	Past reporting period
1.	PROPERTY			
2.	A. FIXED ASSETS (3+...+6)	1	26500	32500
3.	1. Intangible assets			
4.	2. Material property	1	26500	32500
5.	3. Financial assets			
6.	4. Other fixed assets			
7.	B. CURRENT ASSETS (8+...+11)	2	255434	241514
8.	1. Reserves	2	193312	168126
9.	2. Amounts receivable within one year	2	61621	71587
10.	3. Short-term investments			
11.	4. Cash and cash equivalents	2	501	1801
12.	C. COSTS AND ACCUMULATED INCOME	3	585	613
13.	TOTAL ASSETS (2+7+12)		282519	274627
14.	EQUITY AND LIABILITIES			
15.	D. EQUITY (16+...+20)		140601	129786
16.	1. Capital	4	2896	2896
17.	2. Stock add-ons			
18.	3. Revaluation reserve			
19.	4. Reserves		764	764
20.	5. Retained earnings (losses)		136941	126126
21.	E. GRANTS, SUBSIDIES			
22.	F. PROVISIONS			
23.	G. AMOUNTS PAYABLE AND OTHER OBLIGATIONS (24+25)	5	141895	144813
24.	1. Amounts payable after one year and other long-term liabilities	5	41621	44133
25.	2. Amounts payable within one year and other short-term liabilities	5	100274	100680
26.	H. ACCRUED COSTS AND EARNINGS	6	23	28

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4-5

27.	TOTAL EQUITY AND LIABILITIES	(15+21+22+23+26)		282519	274627
-----	------------------------------	------------------	--	--------	--------

Director
 (job title)
Male accountant UAB
 "Druskaita" (position title)

 (signature)

 (signature)

 (Name and surname)

 (Name and surname)

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5-5

PROFIT AND LOSS STATEMENTName of the legal entity **UAB "Drukaite"**Legal entity code **40000001**Legal form of legal entity **Closed joint stock company**Legal status of legal entity **Legal status is not registered**Legal entity's registered office (address) **Brīvības ielā, Rīga, LV-1001**Data is collected and stored in the **Register of Legal Entities**Kit code **00000000000000000000**Kit no. **00000000**Reporting period from **01/01/2020** to **12/31/2020**Date of establishment **2021-04-30** No.

Information is provided in 1 (units)

Row No.	ARTICLES	Notes no.	The reference period	Past reporting period
1.	1. Sales revenue		128151	192377
2.	2. Cost of sales		-90110	-130701
3.	3. Change in fair value of biological assets			
4.	4. GROSS PROFIT (LOSS)	(1+2+3)	38041	61676
5.	5. Selling expenses		-5	
6.	6. General and administrative expenses		-27031	-35099
7.	7. Results of other activities		1000	2466
8.	8. Income from investments in shares of parent, subsidiary and associated companies			
9.	9. Income from other long-term investments and loans			
10.	10. Other interest and similar income			
11.	11. Decrease in value of financial assets and short-term investments		-598	-840
12.	12. Interest and other similar costs			
13.	13. PROFIT (LOSS) BEFORE TAX	(4+5+...+12)	11407	28203
14.	14. Profit tax		-592	-1433
15.	15. NET PROFIT (LOSS)	(13+14)	10815	26770

_____ Director (job title)	_____ (signature)	_____ Māris Kļaviņš (Name and surname)
_____ Male accountant UAB "Drukaite" (position title)	_____ (signature)	_____ Māris Kļaviņš (Name and surname)

Appendix F. Explanatory letter of Lithuanian annual report

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Joint closed joint-stock company

307000071, ADDRESS: EL. 10-00, CHUDAKI

CONFIRMED

in 2021 _April 30_

protocol no. 01/2021FA

01/01/2020 - 12/31/2020 FINANCIAL STATEMENTS EXPLANATORY WORD

in 2021 April 30

I. GENERAL PART

1. Date of registration

The closed joint-stock company "ARVEST" (hereinafter - the Company) was registered in the registry on 12.03.2008

No. 112208

2. Financial year

The company's financial year begins on January 1. and ends on December 31.

3. Information on the Company's branches and representative offices

The Company does not have any branches or representative offices.

4. Information about the Company's subsidiaries

The Company has no subsidiaries.

5. Information on associated companies

The company does not have any associated companies.

6. Company's activities

The main activity of the company is wholesale of watches, jewelry and jewelry trade

The result of the company's activity in 2020 is positive - EUR 10815 net profit.

7. Company activities in the field of research and

development Company development is related to market research, search for new services and products.

8. Changes in authorized capital

The authorized capital is unchanged, equal to EUR 2,896.

9. Number of employees

The average number of employees on the company's list during the financial year 2020 - there were 2 people.

Explanatory letter of the 2020 financial reporting of "ARVEST".

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II. ACCOUNTING POLICY

1. Normative acts, according to which the financial reporting is prepared

1.1. The company manages accounting and prepares financial statements according to these financial statements legal acts regulating accountability:

- Business accounting standards;
- the accounting law of the Republic of Lithuania;
- the Law on Financial Reporting of Companies of the Republic of Lithuania;

2. Company's accounting policy

2.1. General accounting principles

The company, when managing accounting and preparing financial statements, is guided by the following rules with fair accounting principles:

- a) on a corporate basis. According to this principle, the Company is considered a separate accounting unit. Only the Company's assets, equity and liabilities are included in the accounting;
- b) on the principle of business continuity. When managing the Company's accounting, it is assumed that:
 - The Company's activity period is unlimited;
 - The company is not expected to be liquidated;
- c) by the principle of periodicity. The company's activity in accounting is divided into financial years or reporting periods of another duration, after the end of which financial reporting is drawn up;
- d) by the principle of constancy. The company must apply the chosen accounting method for each financial year. The accounting method can be changed only if it aims to correctly reflect the company's financial year assets, equity and liabilities;
- e) on the principle of monetary measure. All of the company's assets, equity and liabilities are financial not expressed in money in the reporting;
- f) on the accrual basis. Revenues are recorded when they are earned, and expenses when they are incurred during the period, regardless of receipt or disbursement of money;
- g) on the principle of comparison. Income earned during the reporting period is associated with that period's costs in earning that income. Costs for different reporting periods for the periods allocated to the periods during which the Company will earn income;
- h) precautionary principle. The company chooses such accounting methods by which the ownership of the company's assets the value of capital and liabilities cannot be unreasonably increased or unreasonably decreased;
- k) the principle of neutrality. Accounting information is provided in an unbiased manner. Its presentation should not influence the decisions made by users of accounting information and should not be intended to do so a predetermined result;
- l) on the principle of content importance. Economic operations and economic events are accounted for according to them

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content and economic meaning, not only according to their legal form.

2.2. Accounting methods, their determination and change

Individual accounting objects (tangible, intangible and financial assets, equity, liabilities, income and costs) evaluation methods and methods to determine the relevant object reglamen in the accounting policy procedures of the Company. Accounting methods attributable to the accounting policy and the change in methods is recorded retrospectively - the change in accounting policy is shown as if the new accounting policy had been applied to economic transactions and events from their inception.

With the retrospective method, the retained earnings (loss) balance is adjusted. Together financial reporting items of previous reporting periods are recalculated and presented, the explanatory note provides comparative information.

In cases where the amount of previous reporting periods is corrected, it cannot be estimated accurately the new policy uses a forward-looking approach.

When applying the prospective method, there is no need to adjust the financial reporting information of the previous period. According to this method, the new accounting policy is applied from the day of the decision to apply it and in future accounting periods. The impact that the change in accounting policy has on the results of the current and previous reporting periods is shown in the current period's financial statements and described in the explanatory note.

2.3. Assessment of accounting objects

2.3.1. The Company's short-term assets, which are used up at the end of the year, are considered reserves will be earned in one year or in one cycle of the company's activity. In stock of General the following short-term assets are kept in the wind: raw materials and completed products, work in progress ba, manufactured products and purchased goods intended for resale, tangible and intangible assets not used in operations. When registering stocks in accounting, they are valued at acquisition (eg sigamination) cost price. In the preparation of the annual financial statement, the inventory is evaluated as purchased mo (production) cost or net realizable value, depending on which of they are smaller. inventory in accounting, valued by LIFO method, must be presented valued FIFO or net realizable value (whichever is lower), yes the difference between these values is also shown.

2.3.2. Monetary assets include all cash and cash in the company's cash register and bank equivalents. Cash equivalents include short-term (up to three months) liquid investments (bank checks, money orders, etc.)

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In the company's accounting, monetary assets are registered in the national currency - litas.

2.3.3. Currency monetary items in the balance sheet are valued in litas, applying the balance sheet daily exchange rate.

2.3.4. Income is recognized according to the accrual principle, that is, it is recorded in the accounting when they are earned, regardless of income generation. Advances and others from early payments. Receipts received during the reporting period, which are not considered income, balance are represented as the Company's liabilities.

Only the increase in the Company's economic activity, manifested in assets, is considered as income increase or decrease in liabilities (excluding additional contributions by owners). Income does not apply sums collected on behalf of third parties, as well as value added tax, are reimbursed or refundable amounts, since it is not an economic benefit received by the company and does not increase these amounts equity capital.

2.3.5. Costs are considered to be the decrease in the economic benefits of the asset or its a decrease in value or the assumption of liabilities during the reporting period, when this results in a decrease in equity, except for its direct decrease. Only that part of the costs incurred in earning the income of the reporting period or cannot be associated with the earning of income in future periods is recognized as expenses. Costs falling on different reporting periods are allocated to those periods in which they will provide the company with economic benefits.

2.3.6. The unpaid amount of profit tax in the reporting period and in previous reporting periods is recognized as a liability and registered in the account [445 Profit tax liabilities] in the subaccount [4451 Profit tax payable].

Overpayment of profit tax for the reporting period or previous periods is recognized as an asset and shown in the balance sheet as a receivable in the subaccount [24323 Profit] of the account [243 Other receivables tax overpayment].

Advance profit tax paid according to [Calculation of taxes paid by the company and the method of payment of advance profit tax established in the accounting policy], invoices are registered [263 Other current assets] in the sub-account [2632 Profit tax paid in advance].

The profit tax paid in advance for the reporting period is offset against the profit payable fee for the reporting period in accordance with all procedures established by [Fees payable by the Company in calculation and accounting policy].

III. EXPLANATORY NOTES

1. Fixed assets. Attached is table no. 1.
2. Amounts receivable within one year. Attached is table no. 2.

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3. Costs and accrued income for future periods. Table no. 3.
4. Own capital. Attached is table no. 4.
5. Amounts payable. Attached is table no. 5.
6. Accumulated costs and income for future periods. Table no. 6.

Director

Mihkel Järveoja

Fixed assets. Table no. 1.

Indicators	(EUR)							Altogether
	Land	Buildings and structures	Machines and equipment	Vehicles	Other equipment,	Unfinished material construction	Next material construction property	
Residual value At the end of the previous financial year				32500	0	0	0	32500
a) Acquisition cost At the end of the previous financial year				36000				36000
Financial year changes: - acquisition of assets - assets transferred and written off (-) - rewrites from one article to another + / (-)								0
At the end of the financial year	0	0	0	36000		0	0	36000
(b) Revaluation At the end of the previous financial year								0
Financial year changes: - increase in value (decrease) + / (-) - assets transferred and written off to other persons (-) - rewrites from one article to another + / (-)								0
								0
								0

Explanatory letter of the 2020 financial reporting of "AS Eesti Energia"

5

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At the end of the financial year	0	0	0	0	0	0	0	0
(c) Depreciation								
At the end of the previous financial year				3500				3500
Financial year changes:								
- financial year depreciation -				6000				6000
restoring entries (-)								
- depreciation of property transferred to other persons and written off (-) - rewritings from one article to another + / (-)								0
At the end of the financial year	0	0	0	9500		0	0	9500
d) Impairment								
At the end of the previous financial year								0
Financial year changes:								
- decrease in value for the financial year								0
- recovery records (-)								0
- assets transferred and written off to other persons (-)								0
- rewrites from one article to another + / (-)								0
At the end of the financial year	0	0	0	0	0	0	0	0
e) Residual value at the end of the financial year (a) + (b) - (c) - (d)	0	0	0	26500	0	0	0	26500

2. Inventories and receivables within one year. Table no. 2.

Inventories and receivables	
Largest groups of receivables	Book value (Eur)
Goods for resale	193281
Prepayments	8
Stock	22
Indebtedness of buyers	58439
Other receivables	3183
Money	501
Altogether:	255434

Machine Translated by Google

3 Expenses and accrued income for future periods. Table no. 3.

Largest groups of receivables	Book value (Eur)
Costs of future periods. Insurances Costs of	577
future periods. Miscellaneous Total:	8
	585

4. Authorized capital. Table no. 4.

The structure of the authorized capital		
Indicators	Number of shares	Sum (EUR)
Share capital structure at the end of the financial year 1. By types of shares 1.1.		
Ordinary shares 1.2.	100	2896
Preferred shares 1.3. Employee shares 1.4. Special promotions 1.5. Other shares		
TOTAL: 2. State or municipal capital	100	2896
Own shares held by the company itself		
Shares held by subsidiaries		

5. Amounts payable within one year. Table no. 5.

5. Status of the company's obligations (EUR)			
Indicators	Debts or their parts, payable		
	in one financial year	after one year, but no later than five years	after five years
Breakdown of payables by type			
Financial debts (including subsidiaries and associated companies)			
Obligations to shareholders, credit institutions			
Long-term debt Current portion	4550	41621	
Other financial debts (to suppliers)	73672		
Advance payments received	910		
Payroll Obligations	8241		
Other debts	12901		
ALTOGETHER	100274	41621	0

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6. Accumulated costs and income for future periods. Table no. 6.

The largest groups of accumulated costs and revenues	Book value (Eur)
Accumulated costs. Pollution	23
Total:	23

Resümee

VÖRDLEV UURIMUS AASTARUANDLUSTAVADEST BALTI RIIKIDES

Martin Petukhov

Käesoleva bakalaureusetöö pealkiri on „Võrdlev uurimus aastaaruandlustavatest Balti riikides“ ning selle eesmärk on välja selgitada Balti riikide väikeettevõtete aastaaruandlustavade sarnasused ja erinevused investori vaatepunktist.

Aruandlus on ettevõtluse lahutamatu osa ning see peab olema tehtud laitmatult selleks et majandus saaks püsivalt kasvuteel olla. Selleks, et tagada aruandluse kõrge kvaliteet on mitmed institutsioonid rajanud oma standardid, mida peaksid ettevõtted järgima ja nendel standarditel põhinevad ka paljud seadused mis puudutavad aruandlustavasid. Aastaaruanded sisaldavad üksikasjalikku teavet ettevõtte finantsseisundi, tulemuste ja rahavoogude kohta, mis võimaldab huvigruppidel, sealhulgas investoritel, võlausaldajatel, klientidel ja töötajatel, mõista paremini ettevõtte olukorda. Aastaaruannete koostamine on seadusega nõutud ning annab ka ettevõtetele võimaluse hinnata oma äritegevuse edukust, tuvastada probleeme ja planeerida tulevikku.

Antud bakalaureusetöö teoreetilises pooles, uurimuse autor käsitleb aasta- ja finantsaruandluse olulisust ning selle eesmärgi mida on püstitatud varasemas kirjanduses. Kuna seda tööd koostati investori vaatepunktist, siis teoreetilises pooles on välja toodud ka investori definitsioon koos varasema kirjanduse abil välja selgitatud investorite soovidega. See tähendab seda, et lugeja saab tuttavaks uurimuse esimeses pooles, mida investorid soovivad näha aastaaruannetes ja muid aspekte mis puudutavad investoreid finantside avalikustamise juures.

Bakalaureusetöö empiirilises pooles autor võrdles omavahel Balti riikide aruandlus seaduseid uurides välja erineva ettevõtte suuruse juures ettevõtte kohustusi, viis läbi kaks intervjuud kahe kogunud audiitoriga ning võrdles kolme aastaaruannet kolmest Balti riigist omavahel selleks, et välja tuua nende omavahelised erinevused ja sarnasused, et selgitada välja parim keskkond investori jaoks.

Seadusandlikus pooles tulid välja esimesed erinevused ettevõtete klassifitseerimises suuruse järgi. Seal ilmnes, et Eesti mikroettevõtted on tunduvalt väiksemad kui Läti ja Leedu omad. Samuti, kõigis kolmes riigis on väga erinevad auditi lävendid. Eestil on kõige põhjalikum auditi lävend see järel on Läti kellel on standardne lävend ning Leedul on kõige primitiivsem auditi lävend kõigest ühe lävendiga.

Intervjuude abil soovis autor lähemalt teada saada oma ala ekspertidelt igapäeva kokkupuudete kohta aastaaruannetega. Kuna audiitorid puutuvad kokku palju aastaaruannetega on neil olemas arusaam headest ja halbade aruannetest ning mis peab ühes heas aruandes olemas olema. Peamiseks leiuks intervjuudest osutus see, et investorid soovivad näha rahavoogude aruandeid, kuid kuna seadus neid enam ei nõua väikeettevõtetest, siis ei ole nad ka leitavad nende aastaaruannetest.

Aastaaruannete võrdluses tulid esile aastaaruannete erinevad vormistused ning ka huvitavad lisad mida ühel või teisel aastaruandel polnud, kuid selle uurimuse üks peamistest avastustest oli see, et Lätis ega Leedus ei avalikustata tasuta ettevõtete aastaaruandeid. Kuigi mõlemal riigil on oma äriregister olemas, kus andmebaasis on kõik ettevõtted olemas, siis nende aastaaruandeid inimesed lugeda ei saa. Selleks, et omandada mõne ettevõtte aruanne tuleb küsida neilt seda kas otse või tuleb selle eest maksta kolmandale osapooltele.

Kokkuvõtteks võib öelda, et kuigi aruandlustavade kvaliteet on Balti riikides kõrge, veel on kindlasti arengukohti, mis teeksid aastaaruannete tarbimise kõikidele osapooltele hõlpsamaks ja mugavamaks. Soovituste põlle pealt jagab autor neid ka oma töös, kuid võib välja tuua kindlasti Lätis ja Leedus võiks avada ligipääsu aastaaruannetele kõikidele soovijatele tariifivabalt ning samuti võiksid samad riigid kaaluda üleminekut elektrooniliselt koostatavatele aastaaruannetele kuna see aitab vältida segadust ning parandada nende omavahelist võrdlust.

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11/05/2023