

## FINANCES 2000



Rīgas  
Apdrošināšanas  
Sabiedrība

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## Members of the Council and the Board

Board and Council as at the date of signing the financial statements:

### Council

First Name, Surname	Position
Jānis Medens	Chairman of the Council
Kārlis Andrejs Cerbulis	Member of the Council
Elizabete Leitāne	Member of the Council
Uldis Ozolants	Member of the Council
Māra Zepa	Member of the Council
Zigurds Spunde	Member of the Council
Rita Stražinska	Member of the Council
Haralds Āboliņš	Member of the Council
Minna Kohmo	Member of the Council
Zane Štālberga-Markvarte	Member of the Council

### Board

First Name, Surname	Position
Ivars Muzikants	Chairman of the Board
Andris Laizāns	Member of the Board
Ināra Meija	Member of the Board
Andris Upmiņš	Member of the Board
Rolands Gritāns	Member of the Board
Andris Ruselis	Member of the Board
Andris Ņikitins	(elected from 19.04.2000) Member of the Board
Kārlis Uzuliņš	(until 19.04.2000) Member of the Board
Daila Vīksne	(until 19.04.2000) Member of the Board



## Report of the Council and the Board

Year 2000 for Latvian insurance market was marked with a stabilisation in the development of non-life insurance. Total growth in non-life insurance during the year was 7.48%, while in 1999 it was 11.14%. The total amount of premiums written reached LVL 91,235,057. Latvian non-life insurance companies paid LVL 31,226,871 in claims. The volume of life insurance market decreased during the year, which was triggered by changes in the tax legislation. Total premiums written in life insurance comprised LVL 4,516,474, and LVL 2,774,700 were paid in claims.

Significant changes happened referring to the participants of Latvian insurance market during the year. Market consolidation trends are also observed in Latvian insurance market as evidenced by mergers of insurance companies and change in their ownership. Influenced by these trends foreign investors continue to enter Latvian market and a new insurance group was established. These processes are expected to develop and, for sure, will influence the local insurance market by increased competition, use of western insurers' experience and knowledge as well as implementation of new services.

Year 2000 for insurance group (IG) BALTA was significant for adjusting insurance companies' operations with the aims and objectives of the insurance group, the most important being the improvement of customer service quality and insurance portfolio. A transfer of portfolios was carried out within the insurance group and as a result every insurance company of the group is focusing on services for certain clients: AS Riga Insurance Company offers non-life insurance to clients in Riga taking into account its previous experience and name. AAS BALTA offers non-life insurance services throughout Latvia, through its network of 29 branches. Both insurance companies offer AAS LATVA life and savings insurance policies, thus providing full range of insurance services for clients throughout Latvia.

Last year IG BALTA also worked on extending insurance service distribution network and as one of the most significant accomplishments should be mentioned the rights won in SIA "Latvija Statoil" tender on distribution of obligatory motor third party liability policies in all "Statoil" petrol stations.

Operations within the insurance group have opened up new possibilities for the insurance companies to increase their capacities to undertake various risks, to optimise the administration of these companies, to enhance speed of client service and attractiveness of services. A proof to the mentioned is the amount of premiums written by insurance group BALTA in 2000, that after all mandatory deductions consists of LVL 19,227,985 in non-life insurance and LVL 931,144 in life insurance. Insurance claims paid are respectively LVL 9,391,181 and LVL 475,586, but total level of claims is 47.6%.

According to data provided by the Insurance Supervisory Inspection insurance group BALTA by gross premiums written controls 22,1% of non-life and 29,6% of life insurance market in Latvia.

In 2000 insurance group BALTA developed a common reinsurance program for all non-life insurance portfolio. A change of reinsurance concept is represented in the last year's reinsurance program where proportional insurance agreements are replaced by non-proportional insurance agreement in all main insurance categories. This change of concept was based on the existing share capital and increase of technical reserves that significantly allowed decreasing the amount of reinsurance costs in 2000.

IG BALTA exercised a conservative, thorough and diversified investment policy, which included also a development of mortgage lending programme and active involvement in the Latvian



## Report of the Council and the Board

(continued)

securities market, achieving increase in the profits for LVL 893,237, compared to the previous year. On the average size of the investment portfolio of LVL 17,156,377, a yield of 8.79% was ensured, and in the result AAS BALTA earned LVL 1,508,648, which is the highest result amongst the Latvian insurance companies.

All the above mentioned actions allowed IG BALTA in 2000 to achieve very good profit levels – LVL 2,241,890, which after minority interest and taxes comprise LVL 1,866,027 (AAS BALTA before taxes- LVL 2,089,354, after taxes LVL 1,760,549), therefore clearly achieving leading positions in Latvian insurance market by all financial ratios.

Individual insurance companies within the group achieved the following results in 2000- AAS BALTA has written non-life insurance premiums of LVL 12,996,989 and the level of gross claims incurred relative to gross premiums earned is 44.9%. Last year AS Riga Insurance Company has written insurance premiums of LVL 6,114,373 and its gross claims ratio is 58.4% while AAS LATVA has written insurance premiums of LVL 1,300,837, working with the gross claims ratio at 39.1% in non-life insurance.

The opening of the new central office in Riga, Raunas street 10/12, during the year also brought changes in the operations of IG BALTA. Concentration of staff will enhance significantly the quality of client service and will guarantee efficiency of co-operation among various departments.

We hereby confirm that the financial statements for 2000 of AAS BALTA have been prepared in accordance with the statutory requirements of the Republic of Latvia, based on relevant accounting methods that have been applied in a consistent manner, and give a true and fair view of the financial position of the company as at the end of the reporting year, as well as of the results of operations for the year then ended. The management of AAS BALTA is responsible for the maintenance of the Company's accounting records in accordance with the requirements of existing legislation, for safeguarding the Company's assets and immediate prevention of any fraudulent acts.

On behalf of the management of the Group's companies we would like to thank all our clients, shareholders and employees for the trust they have placed in us.

Jānis Medens  
Chairman of the Council



Ivars Muzikants  
Chairman of the Board



4 April 2001



## Consolidated Profit and Loss Account

	Notes	2000 LVL	1999 LVL
Written premiums			
Gross premiums written	1	20,159,129	17,102,070
Outward reinsurance premiums	1	(808,500)	(2,889,467)
Change in the provision for unearned premiums			
Gross premiums	4	423,324	(34,286)
Reinsurers' share	4	(1,006,527)	(158,579)
<u>Earned premiums, net of reinsurance</u>		<b>18,767,426</b>	<b>14,019,738</b>
<u>Other technical income</u>	3	<b>242,004</b>	<b>537,347</b>
Insurance claims paid			
Gross amount	2	(9,866,767)	(7,660,723)
Reinsurers' share	2	826,431	668,122
Change in the provisions for claims			
Gross amount	5	(258,551)	92,161
Reinsurers' share	5	(340,076)	(86,240)
<u>Claims incurred, net of reinsurance</u>		<b>(9,638,963)</b>	<b>(6,986,680)</b>
Provision for life insurance			
Gross amount	7	11,523	(175,282)
Reinsurers' share	7	112	(1,240)
<u>Change in life assurance provisions, net of reinsurance</u>		<b>11,635</b>	<b>(176,522)</b>
Client acquisitions costs	8	(3,902,596)	(3,084,805)
Change in deferred client acquisition costs		264,740	149,374
Administrative expenses	9	(5,656,150)	(4,613,412)
Reinsurance commission income	10	1,088,396	426,760
<u>Net operating expenses</u>		<b>(8,205,610)</b>	<b>(7,122,083)</b>
<u>Other technical expenses</u>	11	<b>(346,517)</b>	<b>(142,715)</b>
<u>Change in equalisation provision</u>	6	<b>12,301</b>	<b>458,573</b>
Income on equity investments		1,744	-
Income from land and buildings		9,758	385
Regular investment income	12a	898,195	906,262
Value adjustments on investments	12b	297,268	110,717
Income from disposal of investments	12c	632,836	105,328
<u>Total investment income</u>		<b>1,839,801</b>	<b>1,122,692</b>
Investment management costs	13a	(211,125)	(78,890)
Value adjustments on investments	13b	(43,667)	(341,774)
Loss from disposal of investments	13c	(76,361)	(86,617)
<u>Total investment charges</u>		<b>(331,153)</b>	<b>(507,281)</b>
<u>Other income</u>	14	<b>73,342</b>	<b>107,292</b>
<u>Other expenses</u>	15	<b>(182,376)</b>	<b>(314,779)</b>
<b><u>Profit before tax</u></b>		<b>2,241,890</b>	<b>995,582</b>

Continued on the next page



## Consolidated Profit and Loss Account

Continued from the previous page

	Notes	2000 LVL	1999 LVL
<b>Profit before tax</b>		<b><u>2,241,890</u></b>	<b><u>995,582</u></b>
Income tax	16	(313,206)	(164,429)
Other taxes		(44,832)	(16,040)
<b>Profit after tax</b>		<b><u>1,883,852</u></b>	<b><u>815,113</u></b>
<b>Minority share in profit</b>		<b><u>(17,825)</u></b>	<b><u>(17,003)</u></b>
<b>Net profit for the period</b>		<b><u>1,866,027</u></b>	<b><u>798,110</u></b>
<b>Earnings per share (in lats)</b>	17	<b>0.40</b>	<b>0.21</b>

Notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 4 April 2001 and are signed by:

Jānis Medens  
Chairman of the Council



Andris Laizāns  
President



Ivars Muzikants  
Chairman of the Board



Rolands Gritāns  
Chief Accountant




## Consolidated Balance Sheet

<b>Assets</b>	<b>Notes</b>	<b>31. 12. 2000</b> LVL	<b>31. 12. 1999</b> LVL
<u>Subscribed unpaid share capital</u>		-	<b>100</b>
Goodwill	18	77,725	98,922
Other intangible assets		848	9,208
<u>Total intangible assets</u>		<b>78,573</b>	<b>108,130</b>
<u>Investments</u>			
Land and buildings	26	3,141,823	2,716,636
Investments in associates and joint ventures	19	-	235,392
Variable interest securities	20	38,602	59,895
Fixed income securities	21	4,108,131	7,966,043
Units in investment funds	22	3,649,858	5,278
Mortgage loans	23	1,182,196	1,641,584
Other loans	23	63,918	325,246
Deposits with banks		5,568,997	4,117,116
<u>Total investments</u>		<b>17,753,525</b>	<b>17,067,190</b>
<u>Direct insurance debtors</u>			
Due from policyholders		2,357,912	2,537,165
Due from intermediaries		283,726	157,980
Reinsurance debtors	24	260,109	717,970
Other debtors	25	354,709	255,639
<u>Total debtors</u>		<b>3,256,456</b>	<b>3,668,754</b>
<u>Tangible fixed assets</u>			
Tangible fixed assets	26	1,254,932	850,843
Cash on hand and at bank	27	1,191,323	940,311
Other assets	28	29,179	22,421
<u>Total other assets</u>		<b>2,475,434</b>	<b>1,813,575</b>
Rent and interest accrued		172,240	199,946
Deferred client acquisition costs		1,370,085	1,105,345
Other prepayments and deferred expense		50,746	167,063
		<b>1,593,071</b>	<b>1,472,354</b>
<b>Total assets</b>		<b>25,157,059</b>	<b>24,130,103</b>

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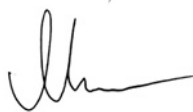
Jānis Medens  
Chairman of the Council



Andris Laizāns  
President



Ivars Muzikants  
Chairman of the Board



Rolands Gritāns  
Chief Accountant




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Baltijas valstīs,» sk  
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Codan, kuras pārstā  
bas atvērtas arī Zviedr  
Norvēģijā, ietilpst Lielbr  
apdrošināšanas sabie  
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## Consolidated Balance Sheet

Capital, reserves and liabilities	Notes	31.12.2000 LVL	31.12.1999 LVL
Share capital	29	4,652,067	4,652,067
Share premium		1,121,332	1,121,332
Treasury shares		-	(302,477)
Statutory reserves		678,368	588,009
Other reserves		1,155,704	807,680
Prior period retained earnings		(105,479)	(504)
Current period profit		1,866,027	798,110
<b>Total capital and reserves</b>		<b>9,368,019</b>	<b>7,664,217</b>
Minority interests		<b>133,283</b>	<b>218,961</b>
Provisions for unearned premiums			
Gross amount	4	7,703,605	8,126,929
Reinsurers' share	4	(161,781)	(1,168,308)
Life assurance provisions			
Gross amount	7	2,600,207	2,611,730
Reinsurers' share	7	(369)	(257)
Provisions for claims			
Gross amount	5	3,110,493	2,851,942
Reinsurers' share	5	(157,948)	(498,024)
Equalisation provision	6	231,822	244,123
<b>Total technical provisions</b>		<b>13,326,029</b>	<b>12,168,135</b>
Due to policyholders		236,278	245,161
Reinsurance creditors	30	142,501	994,201
Credit institutions	31	762,742	1,792,373
Tax	32	81,470	79,376
Personnel		209,858	166,397
Social insurance payments	32	120,924	118,273
Other creditors	33	393,307	354,686
<b>Total creditors</b>		<b>1,947,080</b>	<b>3,750,467</b>
Deferred reinsurance commissions		40,723	287,030
Deferred tax liability	16	178,183	-
Accrued expenses		-	40,558
Prior year dividends		1,148	735
Other	34	162,594	-
<b>Total accrued expenses and deferred income</b>		<b>382,648</b>	<b>328,323</b>
<b>Total capital, reserves and liabilities</b>		<b>25,157,059</b>	<b>24,130,103</b>

Notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 4 April 2001 and are signed by:

Jānis Medens  
Chairman of the Council



Andris Laizāns  
President



Ivars Muzikants  
Chairman of the Board



Rolands Gritāns  
Chief Accountant




## Consolidated Statement of Changes in Equity

	Share capital LVL	Share premium LVL	Statutory reserves LVL	Other reserves LVL	Retained Earnings LVL	Treasury shares LVL	Total equity LVL
Balance as at 31 December 1998	3,322,850	602,933	145,716	748,217	435,277	-	5,254,993
Dividends for 1998	-	-	-	-	(332,285)	-	(332,285)
Transfer to reserves	-	-	43,529	59,463	(102,992)	-	-
Profit for the year	-	-	-	-	598,752	-	598,752
9th closed share issue	1,329,217	518,399	398,764	-	-	-	2,246,380
Acquisition of subsidiaries	-	-	-	-	(504)	(302,477)	(302,981)
Profit for the period	-	-	-	-	199,358	-	199,358
<b>Balance as at 31 December 1999</b>	<b>4,652,067</b>	<b>1,121,332</b>	<b>588,009</b>	<b>807,680</b>	<b>797,606</b>	<b>(302,477)</b>	<b>7,664,217</b>
Dividends for 1999	-	-	-	-	(465,206)	-	(465,206)
Transfer to reserves	-	-	90,359	348,024	(438,383)	-	-
Disposal of subsidiaries	-	-	-	-	504	-	504
Treasury shares sold	-	-	-	-	-	302,477	302,477
Profit for the year	-	-	-	-	1,866,027	-	1,866,027
<b>Balance as at 31 December 2000</b>	<b>4,652,067</b>	<b>1,121,332</b>	<b>678,368</b>	<b>1,155,704</b>	<b>1,760,548</b>	<b>-</b>	<b>9,368,019</b>

Changes in statutory and other reserves can only be made with shareholders' approval. Statutory reserves can not be distributed to shareholders.

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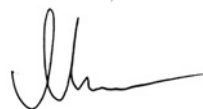
Jānis Medens  
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## Consolidated Statement of Cash Flows

Notes	2000 LVL	1999 LVL
<b>Cash flow from insurance activities</b>		
Gross premiums received	20,206,847	15,093,295
Gross claims paid	(9,087,315)	(6,641,619)
Premiums received from co-insurance	514,793	2,229,195
Payments made concerning co-insurance contracts	(535,229)	(713,600)
Payments made to reinsurers	(1,602,432)	(2,431,305)
Payments received from reinsurers	1,555,430	714,843
Premiums for assumed reinsurance	193,902	602,308
Payments made for assumed reinsurance	43,622	(254,955)
Intermediary commission	(3,015,617)	(2,321,305)
Administrative expenses	(3,487,749)	(3,972,430)
Taxation and deductions paid	(2,537,089)	(1,915,058)
Payments made to the Traffic Bureau	(245,057)	(236,705)
Other income/(expense)	(613,479)	1,518,272
<b>Net cash flow from insurance activities</b>	<b>1,390,627</b>	<b>1,670,936</b>
<b>Cash flow from investing activities</b>		
Disposal of / (investments in) subsidiaries (net of cash acquired) and associates	340,289	(2,466,200)
Net received/(invested) in short-term investments	299,614	(279,683)
Net received from long-term investments	152,020	637,822
Investment management costs	(160,688)	(71,359)
Acquisition of fixed assets	(1,330,550)	(1,570,259)
<b>Net cash flow from investing activities</b>	<b>(699,315)</b>	<b>(3,749,679)</b>
Share issue	-	2,246,381
Dividends paid	(464,381)	(333,180)
<b>Net cash flow from financing activities</b>	<b>(464,381)</b>	<b>1,913,201</b>
Increase/(decrease) of currency exchange rate	24,081	(369)
<b>Net increase/(decrease) in cash</b>	<b>251,012</b>	<b>(165,911)</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>940,311</b>	<b>1,106,222</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,191,323</b>	<b>940,311</b>

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Ivars Muzikants  
Chairman of the Board



Rolands Gritāns  
Chief Accountant




# Notes to the Consolidated Financial Statements

## General information

The parent Company of the Group is BALTA Insurance Company which was incorporated in 1992 in Riga, Latvia as joint stock company. The parent company's shares are listed on the Riga Stock Exchange. During 1999 the acquisition of controlling stake in 3 insurance companies led to the creation of the BALTA Group (the Group). The Group provides non-life insurance and life assurance services to corporate clients and individuals.

Parent Company:

Full name	Insurance Joint Stock Company BALTA
Legal address	Valnu street 1, Riga, LV-1050, Latvia
Residential address:	Raunas street 10/12, Riga, LV-1039, Latvia
Phone, fax numbers:	371 7082333, 371 7082345
Tax registration No	LV40003049409

## Accounting policies

The Group maintains its accounting records in accordance with Latvian legislation. These financial statements have been prepared from those accounting records. Balances as at 31 December 2000 reflect the position as at the close of business on that date.

### (1) Basis of preparation

These financial statements are prepared based on rulings No. 421 of the Cabinet of Ministers of Republic of Latvia "Rulings of the Preparation of the Financial Statements of Insurance Companies".

The measurement basis used is historical cost method, modified by the revaluation of certain types of investments in accordance with accounting policies set out below. All amounts presented in these financial statements are denominated in lats, if not told otherwise.

### (2) Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made of minority interests.

### (3) Premiums

Written non-life insurance premiums comprise the premium on contracts which become effective during the period, irrespective of whether the premium has become due or not. Written life assurance premiums comprise the premium attributable to insurance year commencing during the period, irrespective of whether the premium has become due or not. All written premiums are decreased by the amount of premiums cancelled or suspended during the period.

### (4) Claims incurred

Claims incurred comprise claims attributable to the period and loss adjustment expenses. Claims paid are decreased by the amount received from salvage or subrogation.



## Notes to the Consolidated Financial Statements

### (5) Investment income and expense

Investment income represents the income earned on the investment portfolio held by the Group during the period. Investment expenses represent investment management costs related to the above investment portfolio as well as from disposal of investments and value adjustments. All investment income and expense items are recognised on an accruals basis.

### (6) Investments

a) investments in debt and other securities held for investment purposes are stated at their cost value. Carrying value is decreased in cases, where management is of opinion that there is an other than temporary diminution in value;

b) dealing securities are stated at the lower of cost and market value. Dealing securities, which are traded in public securities markets are stated at market value;

c) investments in associated companies and joint ventures are accounted for by the equity method, where the Group includes in its profit and loss account its share of associate's or joint venture's profit or loss during the period. Associated companies are those over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Joint ventures are those companies over which the Group has 50% of the voting rights and the control over those companies is subject to joint control of the Group and other entity.

The Group's interests in the associated companies and joint ventures are carried in the balance sheet at an amount that reflects its share of the net assets of associated companies and joint ventures and includes goodwill on acquisition. Carrying value is decreased in cases, where management is of opinion that there is an other than temporary diminution in value.

### (7) Loans and the provision for loan impairment

A specific credit risk provision for outstanding balances of loans is established if management considers that full recovery of the outstanding balance is doubtful. Charges for provisions are debited to the profit and loss account. When a loan is deemed uncollectable, it is written-off against the related provision.

### (8) Debtors

Debtors include accounts receivable from policyholders and intermediaries. Amounts that are overdue are reversed against premium once the policy is cancelled. No provision is made in respect of amounts that have not yet become due if no portion of the premium is taken to income. Other debtors are stated at the anticipated amount to be collected with provision for those specific amounts considered doubtful.

### (9) Goodwill

Goodwill represents the difference of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Positive goodwill is presented in the balance sheet as an intangible asset and is amortised using the straight line method over its estimated useful life. Goodwill is generally amortised over 5 years. The carrying value of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

Negative goodwill is presented as a deduction from the assets in the same balance sheet classification as goodwill. Negative goodwill is recognised as income on a systematic basis over the period when respective losses and expenses are expected to incur.



## Notes to the Consolidated Financial Statements

### (10) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is charged on a straight line basis using the following rates based on estimated useful lives of the assets:

Buildings	2% per annum
Office equipment:	20% per annum
Computer equipment:	25% per annum
Transport vehicles:	20% per annum

Gains and losses on disposals of fixed assets are recorded in the profit and loss account in the period of disposal. Repairs and renewals extending the useful life of the building or increasing its value are depreciated over their useful economic life while other repairs and renewals are charged directly to the profit and loss account when the expenditure is incurred.

### (11) Technical provisions

The unearned premiums provision represents the proportion of premiums written which relates to the period of risk subsequent to the accounting period.

The claims provision is an amount provided at the end of the accounting period in respect of estimated losses incurred but not yet settled. The claims provision includes direct loss adjustment expenses which will incur on settlement of claims incurred in the reporting and prior periods. Estimated future proceeds from salvage and subrogation related to claims incurred in the reporting and prior periods have been deducted from the claims provision.

The life assurance provision comprise total obligations relating to the life assurance portfolio taking into account the portion of premiums which relate to subsequent periods. The life assurance provision is stated based on actuarial calculations based on modified net premium method for each life assurance agreement using statistical information and actuarial assumptions regarding mortality rates as at the end of the insurance period and discount rate.

The equalisation provision is made to cover future risk in areas where the claims performance may fluctuate significantly from one period to the next.

### (12) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Latvian Lats (LVL) using the period end rates of exchange published by the Bank of Latvia. Gains and losses arising from this translation are included in the profit and loss account for the period. The applicable rates for the principal currencies held by the Group were as follows:

	31.12.2000	31.12.1999
1 USD =	LVL 0.613	LVL 0.583
1 DEM =	LVL 0.291	LVL 0.300

Transactions denominated in foreign currency are recorded at the rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are included in the profit and loss account at the time of settlement using the exchange rate ruling at that date.

### (13) Deferred client acquisition costs

Deferred client acquisition costs represent that part of client acquisition costs attributable to the future benefit of policies that are in-force during the following period. Client acquisition costs are expenses incurred by the Group in distribution of its policies through external intermediaries or agents network of the Group.



## Notes to the Consolidated Financial Statements

### (14) Taxation

The charge for current taxation is based on computations made by management separately for each of the Group companies in accordance with Latvian tax legislation.

Deferred tax is calculated separately for each of the Group companies, using the liability method, with respect to all temporary differences arising between the carrying value of assets and liabilities in the balance sheet and the value attributable to these assets and liabilities for tax calculation purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets and liabilities are offset and the net deferred tax asset or liability is presented in the balance sheet. When an overall deferred tax asset arises, it is only recognised in the balance sheet where its recoverability is foreseen with reasonable certainty.

The principal temporary differences arise from depreciation on tangible fixed assets, revaluation of certain investments in securities, tax losses carried forward and losses from sale of long term securities carried forward for tax purposes.

### (15) Statement of cash flows

Statement of cash flows is prepared using direct method. For the purposes of statement of cash flows cash and cash equivalents comprise cash in hand and deposits held at call with banks.

### (16) Related parties

Related parties are defined as shareholders of the parent company, members of the Supervisory Council and Board of Directors of each of the Group companies, their close relatives and companies in which they have a significant influence or control.

### (17) Fair values

The Group's major monetary assets and liabilities are cash with bank, investments, debtors and creditors. Fair value represent value, at which an asset can be exchanged into an equivalent asset or liability settled at market rates. If the management believes that there is a substantial difference between the fair value and carrying value, fair value is disclosed in notes.

### (18) Treasury shares

Treasury shares are deducted from the capital and reserves of the Group and acquisitions and disposals of treasury shares are presented as changes in equity. Gain or loss on the sale or cancellation of treasury shares is included in the profit and loss account for the period. Treasury shares are the shares of the parent company owned by the consolidated subsidiaries.

### (19) Change in accounting estimate

The management of the Parent company changed estimates related to the liabilities for vacations compensations to the employees of the Company. A provision has been created for these liabilities as at 31 December 2000. No provision was made as at 31 December 1999. The effect of this change in accounting estimates has been disclosed in note 34.



## Notes to the Consolidated Financial Statements

### 1. Premiums

	2000		1999	
	Gross amount	Reinsurers' share	Gross Amount	Reinsurers' share
Personal accident	852,052	(9,508)	454,668	(54,894)
Health	779,079	-	497,610	-
Motor own damage	5,032,696	(132,149)	4,127,290	(503,599)
Air Hull	234	-	81	-
Marine	26,333	(29,382)	99,825	(91,951)
Cargo	226,176	(31,794)	232,703	(49,949)
Property fire	4,573,937	(313,219)	4,363,306	(929,233)
Voluntary motor Third Party Liability (TPL)	61,653	(7,207)	325,526	(31,334)
Air TPL	-	-	625	-
General TPL	463,568	(150,710)	192,799	13,928
Guarantees	171,109	(105,360)	147,650	(75,636)
Financial risks	22,492	(12,786)	16,236	(11,476)
Travel accident	94,717	(700)	211,772	(9,371)
Obligatory motor TPL	6,923,939	(14,722)	5,918,636	(1,145,809)
Life insurance	931,144	(963)	513,343	(143)
	<b>20,159,129</b>	<b>(808,500)</b>	<b>17,102,070</b>	<b>(2,889,467)</b>

Substantially all policies have been issued to customers operating in Latvia.

The Parent Company has signed an agreement with the Latvian insurance companies AAS Alterna and Parex Insurance Company to set up an insurance pool for participation in obligatory motor third party liability insurance. The policies issued within the pool are distributed through the State Traffic Security Department offices throughout Latvia. The Parent Company has a 52% share of all premium income collected within the pool and it bears the same share of risk assumed on the policies issued within the pool. The Parent Company is responsible for pool operations administration and receives commissions from these operations (Note 3). Total written premium income received by the Group within the pool agreement is included in the above figures.

Obligatory Motor Third Party Liability insurance premiums above are shown net of mandatory deductions. According to the law "On Obligatory Motor Third Party Liability Insurance" and related regulations of the Cabinet of Ministers the Group has to make the following mandatory deductions (in % from gross written premiums in Obligatory Motor Third Party Liability insurance):

- Traffic Bureau - 3 %
- Foundation of insured persons' interests protection- 1 %
- Guarantees Foundation - 9 % (before 20 February 1999 - 12 %)
- State Traffic Security Foundation - 0.6 %





## Notes to the Consolidated Financial Statements

### 2. Claims paid

	2000		1999	
	Gross amount	Reinsurers' share	Gross amount	Reinsurers' share
Accident	(421,499)	22,328	(170,595)	27,999
Health	(738,843)	-	(326,918)	-
Motor own damage	(4,090,079)	723,719	(3,197,508)	443,490
Marine	(24,486)	(4,222)	(81,741)	59,022
Cargo	(27,914)	1,623	(74,720)	44,067
Property fire	(1,563,295)	79,155	(1,353,945)	90,904
Voluntary motor Third Party Liability (TPL)	(1,559)	-	(281)	140
General TPL	(35,079)	2,366	(11,664)	707
Guarantees	(57,889)	930	(10,375)	-
Financial risks	(5,012)	532	(125)	-
Travel accident	(21,854)	-	(28,097)	1,793
Obligatory motor TPL	(2,403,672)	-	(2,260,909)	-
Life insurance	(475,586)	-	(143,845)	-
	<b>(9,866,767)</b>	<b>826,431</b>	<b>(7,660,723)</b>	<b>668,122</b>

Substantially all claims have been paid to clients operating in Latvia.

### 3. Other technical income

	2000	1999
Income from pool administration	189,863	282,981
Income from distribution of policies of other companies	29,755	98,962
Other income (non-life insurance)	22,386	155,404
	<b>242,004</b>	<b>537,347</b>

For details on pool see Note 1. In 1999 income of LVL 98,962 relates to distribution of AAS LATVA (related party) policies before the acquisition of that company.



## Notes to the Consolidated Financial Statements

### 4. Provisions for unearned premiums

	Gross amount	Reinsurers' share	Net amount
Balance as at 31 December 1998	5,991,933	(534,308)	5,457,625
Acquisition of portfolio of AKB Drosiba	10,140	-	10,140
Acquisition of AAS Saules Laiks	490,352	(200,848)	289,504
Change in the period	(194,204)	(61,159)	(255,363)
Transfer of part of AAS Saules Laiks portfolio to AAS Riga Insurance Company	(428,224)	192,720	(235,504)
Acquisition of AAS Riga Insurance Company	1,894,611	(915,664)	978,947
Acquisition of AAS LATVA	265,738	(693)	265,045
Initial adjustments to intra-group transactions	(131,907)	131,907	-
Change in the year	228,490	219,737	448,227
<b>Balance as at 31 December 1999</b>	<b>8,126,929</b>	<b>(1,168,308)</b>	<b>6,958,621</b>
Change in the year	(423,324)	1,006,527	583,203
<b>Balance as at 31 December 2000</b>	<b>7,703,605</b>	<b>(161,781)</b>	<b>7,541,824</b>

### 5. Provisions for claims

	Gross amount	Reinsurers' share	Net amount
Balance as at 31 December 1998	2,165,257	(270,847)	1,894,410
Acquisition of AAS Saules Laiks	182,898	(89,662)	93,236
Change in the year	(427,402)	185,944	(241,458)
Transfer of part of AAS Saules Laiks portfolio to AAS Riga Insurance Company	(172,780)	112,711	(60,069)
Acquisition of AAS Riga Insurance Company	673,480	(351,245)	322,235
Acquisition of AAS LATVA	110,027	-	110,027
Initial adjustments to intra-group transactions	(14,779)	14,779	-
Change in the year	335,241	(99,704)	235,537
<b>Balance as at 31 December 1999</b>	<b>2,851,942</b>	<b>(498,024)</b>	<b>2,353,918</b>
Change in the year	258,551	340,076	598,627
<b>Balance as at 31 December 2000</b>	<b>3,110,493</b>	<b>(157,948)</b>	<b>2,952,545</b>

### 6. Equalisation provisions

Balance as at 31 December 1998	702,696
Change in the year	(458,573)
<b>Balance as at 31 December 1999</b>	<b>244,123</b>
Change in the year	(12,301)
<b>Balance as at 31 December 2000</b>	<b>231,822</b>

Following the accounting policies of the Group reclassification of some LVL 300 thousand was made in 1999 from the equalisation provision to the IBNR provision within claims provision which resulted in a significant decrease in the equalisation provision.



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gusi Baltas stratēģiskā  
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## Notes to the Consolidated Financial Statements

### 7. Life assurance provisions

Balance as at 31 December 1998

Acquisition of AAS LATVA

Change in the year

**Balance as at 31 December 1999**

Change in the year

**Balance as at 31 December 2000**

Gross amount	Reinsurers' share	Net amount
-	-	-
2,436,448	(1,497)	2,434,951
175,282	1,240	176,522
<b>2,611,730</b>	<b>(257)</b>	<b>2,611,473</b>
(11,523)	(112)	(11,635)
<b>2,600,207</b>	<b>(369)</b>	<b>2,599,838</b>

### 8. Client acquisition costs

#### a) Client acquisition costs in non-life insurance and life assurance

Commissions and other agent related expenses

Other intermediary commissions

Obligatory payments to social security

Commissions paid on reinsurance assumed

	2000	1999
Commissions and other agent related expenses	1,681,778	1,260,360
Other intermediary commissions	1,784,969	1,159,765
Obligatory payments to social security	381,037	387,658
Commissions paid on reinsurance assumed	54,812	277,022
	<b>3,902,596</b>	<b>3,084,805</b>

#### b) Client acquisition costs by type of insurance

Obligatory motor TPL

Motor own damage

Property

Other non-life insurance

Total non-life insurance

Life assurance

	2000	1999
Obligatory motor TPL	1,619,721	851,383
Motor own damage	739,526	568,632
Property	1,118,606	1,091,277
Other non-life insurance	344,907	517,757
Total non-life insurance	<b>3,822,760</b>	<b>3,029,049</b>
Life assurance	79,836	55,756
	<b>3,902,596</b>	<b>3,084,805</b>

### 9. Administrative expenses

#### a) Administrative expenses split between types of insurance

Non-life insurance

Life assurance

	2000	1999
Non-life insurance	5,505,494	4,514,784
Life assurance	150,656	98,628
	<b>5,656,150</b>	<b>4,613,412</b>



## Notes to the Consolidated Financial Statements

### 9. Administrative expenses (continued)

#### b) Administrative expenses split between types of expenses

	2000	1999
Salaries	2,292,055	1,910,958
Social tax expense	592,149	512,115
Repairs and maintenance	372,994	546,800
Depreciation and amortisation	460,694	255,622
Office expenses	825,793	515,534
Advertising and PR	453,965	307,796
Transport	249,345	136,796
Professional services	82,048	128,163
Travel and representation	43,816	25,125
Staff training	10,203	11,717
Other expenses	273,088	262,786
	<b>5,656,150</b>	<b>4,613,412</b>

Members of the Council and the Board did not receive separate remuneration for their job in the Council and the Board of AAS BALTA. The average number of employees in 2000 was 486 (1999: 460) and 1,223 (1999: 1,232) agents.

### 10. Reinsurance commission income

Reinsurance commission income in for the reporting period includes LVL 720,000 received as profit commission in accordance with the *Commutation and Release Agreement* regarding the STOP LOSS reinsurance treaty. The original STOP LOSS treaty provided that the Parent Company waived its rights to cancel the treaty before 1 January 2002. Having assessed the further risk of possibility for large insurance claims being submitted for period 1997 to 1999 and considering the increased financial strength of the Parent Company the management decided to release risk cover for prior periods by entering *Commutation and Release Agreement* and receive the said commission in 2000.

### 11. Other technical expenses

	2000	1999
Provision for doubtful debtors	143,638	-
Payments to Insurance Supervisory Inspection and to Foundation of Insured Persons Protection (non-life insurance)	143,652	132,987
Payments to Insurance Supervision Inspection and to Foundation of Insured Persons Protection (life assurance)	9,463	9,728
Other technical expenses	49,764	-
	<b>346,517</b>	<b>142,715</b>

In accordance with requirements of legislation of the Republic of Latvia payments to Insurance Supervisory Inspection have to be made in amount of 0.2% from gross premiums collected in Obligatory Motor Third Party Liability insurance after all deductions described in the Note 1 and in amount of 0.7% from gross premiums collected in other types of insurance. Payments to Foundation of Insured Persons Protection amount 1% of premiums collected from individuals in voluntary types of insurance.



## Notes to the Consolidated Financial Statements

### 12. Investment income

#### a) Regular investment income

Interest on investments in short-term securities  
Interest on investments in long-term securities  
Interest on deposits with banks  
Interest on mortgage loans  
Interest on ordinary loans  
Other income

2000	1999
10,298	232,426
533,661	422,971
235,311	136,279
101,331	92,392
17,488	16,239
106	5,955
<b>898,195</b>	<b>906,262</b>

#### b) Value adjustments on investments

Short-term securities  
Long-term securities  
Listed shares  
Release from provisions on bank deposits  
Value adjustment to units in investment funds  
Gains on foreign currency revaluation in investments  
Other

2000	1999
-	26,733
-	28,042
-	4,120
24,000	-
96,693	-
173,696	51,822
2,879	-
<b>297,268</b>	<b>110,717</b>

#### c) Income from sales of investments

Short-term securities  
Long-term securities  
Shares of non-related companies  
Units of investment funds  
Disposal of investments in a joint venture  
Disposal of treasury shares  
Other

2000	1999
95,844	76,004
309,436	29,238
58,237	86
34,807	-
26,352	-
105,479	-
2,681	-
<b>632,836</b>	<b>105,328</b>

### 13. Investment expense

#### a) Investment management costs

Brokerage and intermediary commissions  
Bank commissions  
Interest  
Consulting services

2000	1999
81,206	19,473
30,152	31,764
59,383	27,653
40,384	-
<b>211,125</b>	<b>78,890</b>



## Notes to the Consolidated Financial Statements

### 13. Investment expense (continued)

#### b) Value adjustments on investments

	2000	1999
Specific provisions on Russian government bonds	-	12,465
Specific provisions on Ukrainian government bonds	-	229,588
Other long-term securities	18,059	13,721
Other short-term securities	10,407	26,845
Revaluation of listed shares	-	8,859
Other provisions	-	50,296
Losses on foreign currency revaluation in investments	15,201	-
	<b>43,667</b>	<b>341,774</b>

#### c) Loss from disposal of investments

	2000	1999
Securities	44,238	50,009
Loans	32,123	36,608
	<b>76,361</b>	<b>86,617</b>

### 14. Other income

	2000	1999
Income from services	-	49,999
Gains on disposal of fixed assets	2,896	16,702
Income from revaluation of liabilities	-	15,276
Revaluation gains on foreign exchange	33,889	-
Compensation for overpaid social insurance	10,701	-
Other income	25,856	25,315
	<b>73,342</b>	<b>107,292</b>

### 15. Other expenses

	2000	1999
Provisions and write-offs of doubtful debts	58,767	99,267
Loss on disposal of fixed assets	39,446	-
Consulting services	19,700	-
Amortisation of goodwill	21,197	182,063
Foreign exchange losses	29,829	3,184
Other expenses	13,437	30,265
	<b>182,376</b>	<b>314,779</b>



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## Notes to the Consolidated Financial Statements

### 16. Income tax

	2000	1999
Current tax	77,351	261,030
Deferred tax	235,855	(96,601)
	<b>313,206</b>	<b>164,429</b>

#### Reconciliation between actual tax expense and theoretical tax expense at basic tax rate

	2000	1999
Profit before tax	2,241,890	1,075,725
<b>Expected income tax expense at 25% rate</b>	<b>560,473</b>	<b>268,931</b>
Tax effect of:		
Expenses not deductible for tax purposes	115,354	168,210
Income not subject to tax	(189,989)	(56,244)
Tax relief on sponsorship	(38,703)	(61,447)
Recognised prior year unrecognised deferred tax asset	-	(76,722)
Deferred tax asset acquired through acquisition of subsidiaries	-	(243,817)
Non-recognition of deferred tax asset	(133,929)	165,518
<b>Actual tax expense</b>	<b>313,206</b>	<b>164,429</b>

#### Net deferred income tax (liability)/asset arises from following temporary differences:

	2000 Tax effect 25%	1999 Tax effect 25%
Temporary difference on depreciation of fixed assets	(308,085)	(174,200)
Carry forward tax losses	146,153	231,555
Temporary difference on provision for vacation compensations	33,754	-
Temporary difference on upward revaluation of securities	4,693	(34,831)
Temporary difference on provisions on securities	-	188,641
Carry forwards losses on sale of securities	21,873	8,810
Temporary differences for which no deferred tax asset is recognised	(76,571)	(162,303)
Net deferred tax (liability) / asset	<b>(178,183)</b>	<b>57,672</b>

As the tax computations and returns are prepared for each of the Group's companies separately no mutual offsetting of taxable income, expenses and carried forward tax losses has been done. Net deferred income tax assets are recognised only to the extent that realisation of the related tax benefit is foreseeable with reasonable certainty. Temporary differences for which no deferred tax asset is recognised are principally carry forwards tax losses and other temporary differences of the subsidiaries of the Group.

Net deferred income tax asset as at 31 December 1999 of LVL 57,672 has been reflected within line "Other prepayments and deferred expense" under the balance sheet assets.



## Notes to the Consolidated Financial Statements

### 17. Earning per share

	2000	1999
Current period profit (a)	1,866,027	798,110
Ordinary shares as at 1 January	4,652,067	3,322,850
Number of ordinary shares issued during the year	-	1,329,217
Ordinary shares as at 31 December	<b>4,652,067</b>	<b>4,652,067</b>
Weighted average number of ordinary shares outstanding during the period (b)	4,652,067	3,765,922
Basic earnings per share during the period (a/b) in lats	<b>0.40</b>	<b>0.21</b>

Diluted earnings per share are equivalent to basic earnings per share, as there are no outstanding transactions that could have an effect on the number of shares in issue.

### 18. Goodwill

#### Cost value

As at 31 December 1999	280,985
Acquisitions	-
Fully amortised	(174,997)
As at 31 December 2000	<b>105,988</b>

#### Accumulated amortisation

As at 31 December 1999	(182,063)
Charge for the year	(21,197)
Fully amortised	174,997
As at 31 December 2000	<b>(28,263)</b>

Net book value as at 31 December 1999

**98,922**

Net book value as at 31 December 2000

**77,725**

### 19. Investments in associates and joint ventures

Company	2000		1999	
	Carrying value of investment	% in share capital	Carrying value of investment	% in share capital
Baltic Polis (Lithuania)	-	-	156,320	50.00%
AG Pluss (Latvia)	-	-	600	30.00%
ATB Riga (Latvia)	-	-	48,000	48.00%
C.I. First Company (Latvia)	-	-	30,472	47.27%
			<b>235,392</b>	

Investments in associates were sold at a profit during the year.



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## Notes to the Consolidated Financial Statements

### 20. Variable interest securities

Company	2000		1999	
	Carrying value of investment	% in share capital	Carrying value of investment	% in share capital
LVA Investment company (Latvia)	20,687	13.5 %	-	-
Other Latvia companies	1,000	-	1,000	-
Non-profit AS Public Pension Fund Social Security (Latvia)	1,000	1 %	22,000	22 %
InBro & Partners (Estonia)	-	-	17,240	20 %
Listed shares	15,915	-	19,655	-
	<b>38,602</b>		<b>59,895</b>	

All investments are made for investment purposes.

### 21. Fixed income securities

	2000	1999
Latvian treasury bills	2,659,701	6,155,936
Lithuanian treasury bills	333,680	243,015
Debt securities issued by OECD financial institutions	933,501	1,148,004
Debt securities issued by Latvia banks	99,647	-
Other corporate bonds	-	57,709
Kazakhstanian eurobonds	81,602	77,609
Russian government debt securities	-	177,690
Ukrainian government debt securities	-	596,312
Specific provisions on Ukrainian securities	-	(312,542)
Specific provisions on Russian securities	-	(177,690)
	<b>4,108,131</b>	<b>7,966,043</b>

Of the above investments LVL 248 thousand (1999: LVL 886 thousand) have been made within the insurance pool agreement (see also Note 1). These investments are managed by one of Latvian commercial banks. The largest part of these investments is invested in treasury bills of Eastern European countries.

### 22. Units in investment funds

The Group has purchased 35,200 units at nominal value LVL 100 each in the investment fund LVA Naudas Fonds which is managed by LVA Ieguldījumu Sabiedrība over which the Group exercised control until April 2000 and owns 13.5 % as at 31 December 2000. Majority of investments of this fund are invested in the Latvian government bonds and deposits held within banks registered in Latvia. 5,200 units with carrying value of LVL 539 thousands have been invested within the insurance pool agreement (see also Notes 1 and 21).

### 23. Loans

	2000	1999
Mortgage loans	1,182,196	1,641,584
Loans to employees	62,969	206,098
Other loans	6,614	119,148
Provision on loans	(5,665)	-
	<b>1,246,114</b>	<b>1,966,830</b>



## Notes to the Consolidated Financial Statements

### 24. Reinsurance debtors

	2000	1999
German registered reinsurance companies	115,278	323,300
Swiss registered reinsurance companies	37,062	184,454
Great Britain registered reinsurance companies	71,444	77,945
Latvia registered reinsurance companies	36,325	66,092
Lithuania registered reinsurance companies	-	1,558
Other reinsurance companies	-	64,621
	<b>260,109</b>	<b>717,970</b>

### 25. Other debtors

	2000	1999
Personnel	-	24,994
Claims to Hansabanka	-	7,400
Security deposits with Courts	10,286	7,192
Debts from medical institutions	5,486	5,500
Other prepayments	-	25,376
Other debtors	77,125	42,590
Advance payments for corporate income tax	227,826	85,224
Debts acquired through privatisation of AAS LATVA	53,431	79,299
Provisions on doubtful debtors	(19,445)	(21,936)
	<b>354,709</b>	<b>255,639</b>

### 26. Fixed assets

	Land and Buildings and leasehold improvements	Transport vehicles	Computer equipment	Furniture and fittings	Total
<b>Cost</b>					
At 31 December 1999	3,013,734	739,906	604,088	479,341	4,837,069
Additions	640,756	131,546	581,406	111,431	1,465,139
	-	-	(2,093)	(1,998)	(4,091)
Disposals	(107,670)	(165,057)	(33,551)	(138,456)	(444,734)
<b>At 31 December 2000</b>	<b>3,546,820</b>	<b>706,395</b>	<b>1,149,850</b>	<b>450,318</b>	<b>5,853,383</b>
<b>Depreciation</b>					
At 31 December 1999	(297,098)	(338,786)	(401,901)	(232,514)	(1,269,589)
Charge for the year	(113,833)	(116,943)	(155,582)	(74,336)	(460,694)
	-	-	590	946	1,536
Disposals	5,934	116,054	32,421	117,710	272,119
<b>At 31 December 2000</b>	<b>(404,997)</b>	<b>(339,675)</b>	<b>(523,762)</b>	<b>(188,194)</b>	<b>(1,456,628)</b>
<b>Net Book Value at 31 December 1999</b>	<b>2,716,636</b>	<b>400,120</b>	<b>202,897</b>	<b>246,826</b>	<b>3,567,479</b>
<b>Net Book Value at 31 December 2000</b>	<b>3,141,823</b>	<b>366,720</b>	<b>626,088</b>	<b>262,124</b>	<b>4,396,755</b>



## Notes to the Consolidated Financial Statements

### 27. Cash in hand and at bank

	2000	1999
Cash in hand	70,413	74,656
Deposits at call with banks	1,120,910	865,655
	<b>1,191,323</b>	<b>940,311</b>

### 28. Other assets

	2000	1999
Spare parts	22,475	19,448
Fuel	328	449
Other inventory	6,376	2,524
	<b>29,179</b>	<b>22,421</b>

### 29. Share capital

#### a) registered share capital

	2000		1999	
	Number	LVL	Number	LVL
Shares with nominal value of LVL 1	4,999,200	4,999,200	4,999,200	4,999,200
Shares of the Board	800	800	800	800
	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

#### b) issued and fully paid share capital

	2000		1999	
	Number	LVL	Number	LVL
Closed share issues with nominal value of LVL 1	-	-	1,329,217	1,329,217
Shares of the Board	800	800	800	800
Public share issue with nominal value LVL 1	4,651,267	4,651,267	3,322,050	3,322,050
	<b>4,652,067</b>	<b>4,652,067</b>	<b>4,652,067</b>	<b>4,652,067</b>

During 2000 all closed shares were converted to public shares.

#### c) major shareholders

At the end of the period the following shareholders owned more than 10% of the Parent Company's shares:

	2000		1999	
	Number of Shareholding shares		Number of Shareholding shares	
Development Capital Corporation & Vista Capital	2,071,952	44.54%	2,038,285	43.81%
AS Bastions ZS	1,093,537	23.51%	879,792	18.91%
Merita Bank Ltd	719,695	15.47%	695,995	14.96%
	<b>3,885,184</b>	<b>83.52%</b>	<b>3,614,072</b>	<b>77.68%</b>

Bastions ZS, Development Capital Corporation, and Vista Capital Corporation LLC have signed an agreement on 28 February 2001 with Codan insurance company (Denmark). According to this agreement, Codan will acquire 73.35% of Company's shares on 1 June 2001.



## Notes to the Consolidated Financial Statements

### 30. Reinsurance creditors

	2000	1999
German registered reinsurance companies	60,460	508,511
Ireland registered reinsurance companies	-	271,560
Swiss registered reinsurance companies	17,022	100,338
Great Britain registered reinsurance companies	4,633	61,443
Latvia registered reinsurance companies	36,762	32,178
Lithuania registered reinsurance companies	-	11,044
Russia registered reinsurance companies	-	4,896
Denmark registered reinsurance companies	549	879
Other reinsurance companies	23,075	3,352
	<b>142,501</b>	<b>994,201</b>

### 31. Liabilities to credit institutions

	2000	1999
Loans under repo agreement	750,000	1,789,880
Liabilities for credit cards	12,440	2,493
Accrued interest on short-term loan	302	-
	<b>762,742</b>	<b>1,792,373</b>

Short-term loans have been received from a Latvian bank under repo deals. Total amount of loans received is LVL 750,000 at annual interest between 4.8 % and 5%. These loans were repaid in January 2001. Fixed income securities at net book value of LVL 851,685 (1999: LVL 1,914,148) have been pledged as the security for these loans.

### 32. Tax

	2000	1999
Personal income tax	79,263	70,280
Social insurance	120,924	118,273
Property taxes	1,081	5,643
VAT	1,126	51
Corporate income tax	-	3,402
	<b>202,394</b>	<b>197,649</b>

### 33. Other creditors

	2000	1999
Liability for payments on Obligatory Motor third party liability insurance	106,214	85,131
Liability to Insurance Supervision Inspection	37,336	43,056
Commissions payable	15,035	57,150
Liability for purchase and repairs of real estate	9,008	73,400
Government and public institutions and organisations	-	41,275
Medical institutions	-	1,270
Liabilities for services received during the reporting period	180,646	-
Other creditors	45,068	53,404
	<b>393,307</b>	<b>354,686</b>



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## Notes to the Consolidated Financial Statements

### 34. Other accrued expenses

Provision for vacation payments to employees  
Other

	2000	1999
Provision for vacation payments to employees	135,015	-
Other	27,579	-
	<b>162,594</b>	-

The effect of the change in the accounting estimate described under point (19) of the description of the accounting policies is an increase in administrative expenses by LVL 135,015.

### 35. Related party transactions

The Parent Company has common members of management and shareholders with an investment company Bastions ZS. SIA Salons Efekts is a Company controlled by Bastions ZS.

Three members of the Supervisory Council of the Parent Company and Bastions ZS own significant part of shares of LVA Ieguldījumu Sabiedrība (see also note 36), an asset management company. Ivars Muzikants, the Chairman of the Board of the Parent Company is the Chairman of the Supervisory Council of LVA Ieguldījumu Sabiedrība.

Andris Ruselis, member of the Board of one of the subsidiaries of the Company is the Chairman of the Supervisory Council and majority shareholder in A/S Vertspapiri.

During the reporting period the following transactions were carried out with related parties:

**Construction services.** Construction of the new office premises at Raunas street is conducted, using sub-contractors, by SIA Salons Efekts.

**Other services received.** The Group has received services from SIA Salons Efekts (maintenance services for Group's premises). Total amount paid to SIA Salons Efekts for these services during the period is LVL 21 thousands (1999: 93 thousands). In 2000 Salons Efekts provided also real estate expert services for fee of LVL 39 thousand. All services have been received within the average market rates.

The Group's companies have paid a unit premium during the acquisition of units of LVA Naudas fonds. This premium has been transferred to LVA Ieguldījumu sabiedrība to cover costs associated with the set-up of the fund. Total amount of premium paid for these units is LVL 70 thousands.

A/S Vertspapiri provided insurance brokerage and financial consulting services to the Group's companies during the year. Total fees and commissions paid to A/S Vertspapiri during the year is LVL 2.8 thousands (1999: LVL 38 thousands).

**Insurance services.** There have been no large insurance agreements with related parties during the period. All insurance services to related parties have been provided at the market terms and conditions for these types of insurance. The Group companies have purchased health insurance on behalf of their employees and property insurance within the Group.



## Notes to the Consolidated Financial Statements

### 35. Related party transactions (continued)

**Outstanding balances with related parties.** There are the following outstanding balances with related parties as at the end of the period:

	2000	1999
Liability to SIA Salons Efekts	-	(52,339)
Mortgage loans issued to the Board Members of the Group companies	321,807	527,854
Investment in shares of LVA Ieguldījumu Sabiedrība	20,687	-
Investments in units of LVA naudas fonds, managed by LVA Ieguldījumu Sabiedrība	3,649,858	-
Mortgage loan issued to the Council Members of AS Rīga Insurance Company	-	50,000
Guarantee on mortgage loans to the management of AS Rīga Insurance Company obtained from Bastions ZS	-	(132,105)
	<b>3,992,352</b>	<b>393,410</b>

### 36. Subsidiary undertakings

Name	Business	Share		Country of incorporation
		2000	1999	
AAS LATVA	Life assurance	95%	95%	Latvia
AS Rīga Insurance Company	Non-life insurance	100%	100%	Latvia
AAS Saules Laiks	Non-life insurance	-	100%	Latvia
A/S LVA Ieguldījumu Sabiedrība	Asset management	13.5%	39%	Latvia

Control over the A/S LVA Ieguldījumu Sabiedrība was exercised through the representation of the management members of AAS BALTA in the management of A/S LVA Ieguldījumu Sabiedrība, which enabled AAS BALTA to cast the majority of votes at the Board meetings. Major part of the investment was sold in 2000 and the Group lost control over the operations of A/S LVA Ieguldījumu Sabiedrība and terminated consolidation of this subsidiary. The remaining portion of the shares was transferred to "Variable interest securities" in the balance sheet as at 31 December 2000.

AAS Saules Laiks merged with AS Rīga Insurance Company in 2000.

Part of the shares of AAS LATVA were purchased by privatisation. In accordance with the terms of privatisation the Company can not sell 385,000 of these shares until 2002.

All holdings are in the ordinary share capital of the undertaking concerned.



## Notes to the Consolidated Financial Statements

### 37. Off balance sheet items

#### General claims.

From time to time and in the normal course of business claims, against the Group companies, are received from customers. Such claims have been reviewed by the management who are of the opinion that no material unprovided losses will be incurred.

#### Foreign exchange contracts.

The Parent Company has signed a forward foreign exchange contract with a Latvian bank. The Parent Company will have to make a payment of LVL 153 thousands according to the contract. Unrealised loss on this transaction as at 31 December 2000 is LVL 9 thousands.

#### Litigation.

As at 31 December there were 8 open legal claims against the Group amounting to LVL 70 thousands. The management is of opinion that no material unprovided losses will be incurred.

(31 December 1999: no open litigation against the Company).

#### Assets pledged.

There are no assets pledged as at 31 December 2000, except as mentioned below.

#### Credit related commitments.

Securities in amount of LVL 851,685 are pledged as collateral for the loans obtained as a part of repo deals. See Note 31.

#### Subordinated deposit investment.

The Parent Company has made subordinated deposit investment in A/S Hansabanka in amount of USD 450,000 and DEM 500,000 (equivalent in total to LVL 421,579 translating the amount at the exchange rate set by the Bank of Latvia on the balance sheet date) with maturity term in March 2003. The collectability of this deposit before maturity date is restricted.



## Auditors` Report to the Shareholders of AAS BALTA

We have audited the consolidated financial statements on pages 2 to 30 of AAS BALTA and its subsidiaries (the Group), for 2000. These financial statements include the consolidated balance sheet as at 31 December 2000, related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for 2000, report of the parent company's Council and the Board and note disclosures. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We reviewed the report of the Council and the Board for consistency with other parts of the financial statements. The representatives of the parent company have provided all information and explanations required by us. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and the financial position of the Group as at 31 December 2000, and the results of its operations and cash flows for the year then ended. These consolidated financial statements have been prepared in accordance with the law on "Insurance Companies and their Supervision" and the Cabinet of Ministers Rulings on the Preparation of the Financial Statements of Insurance Companies of the Republic of Latvia.

PricewaterhouseCoopers SIA

4 April 2001



P nansu tirgus at  
perspektivām, t  
Kopenhāgenā I  
apdrošināšanas sabiedri  
dan parakstīja pirkšar  
pārdošanas līgumu par l  
lielākās apdrošināšanas  
ribas 73,5% akciju iegādi  
drošināšanas grupas Bal  
ietilpst Baltā, Rīgas apā  
šanas sabiedrība un Lat  
viem lielākajiem akcio  
— ASV investīciju fon  
Century Holding un L  
mas Bastions ZS. Tā  
slēgusies vairāk nekā  
gusi Baltas stratēģiskā  
ra piesaistīšana.

Noslēgtais pirkuma  
paredz Baltas akciju pār  
par aptuveni 15 miljoni  
(4,5 latī par akciju) — i  
darījums jāveic līdz 200  
1. jūnijam.

Codan mārketinga di  
Pols Mortensens telefon  
ar Dienu norādīja, ka Ba  
ciju iegāde saistīta ar a  
nāšanas grupas vēlmī  
Baltijas tirgū, kuram, ga  
ties iestāties Eiropas Sav  
paredz strauju izaugsmi  
zumā. Viņš nenoliedza,  
ma labprāt iegādātos ar  
apdrošināšanas sabī  
Igaunijā, taču tur šāda iz  
dāniem pagaidām neeso  
sies. Līdz šim Baltijā d  
1999.gadā iegādājušie  
vas apdrošināšanas sat  
Lietuvos draudimas akci  
trolpaketi.

«Pusotra gada sekmī  
bošanās pieredze Lietuvi  
šināja mūs turpināt eks  
Baltijas valstīs,» sk  
P.Mortensens. Viņš no  
ka līdzīgi kā iepriekš l  
nākotnē dāņi samazinā  
akciju skaitu Baltā līdz 5  
saistot citus investorus.  
cialie investori, viņaprāt,  
būt Eiropas Rekonstruk  
attīstības banka, kā arī  
investīciju fonds, kurs  
līdzekļus Austrumeiro  
Centrāleiropā.

Codan, kuras pārstā  
bas atvērtas arī Zviedr  
Norvēģijā, ietilpst Lielbr  
apdrošināšanas sabie  
jas apdrošināšanas sabī  
Nedzīvības jeb pārējo ri  
drošināšanas tirgū gr  
tilpstošās sabiedrības B  
Rīgas apdrošināšanas so  
ba pērn iekasēja 15,7 m  
latu (ap 18,5% tirgus), s  
dzīvības apdrošināšana  
Latva parakstīja prēmī  
1,34 miljoniem latu (ap  
gus), kas ir labākais r  
starp astoņām d  
ināšanas sabied  
Baltas nonākša  
lumā ārvalstu a  
tirgus daļa pārēj  
Latvā, pēc provizor  
precīzēm, palielināsī  
33%. Savukārt dzīvības



finansu tirgus attīstī  
perspektīvām, trešd  
Kopenhāgenā Dān  
drošināšanas sabiedrība  
n parakstīja pirkšanas  
rdošanas līgumu par Latv  
lākās apdrošināšanas sabi  
as 73,5% akciju iegādi no  
ošināšanas grupas *Balta* (  
ilpst *Balta, Rīgas apdroši  
nas sabiedrība* un *Latva*)  
em lielākajiem akcionāri  
ASV investīciju fonda *1  
ntury Holding* un Latvijas  
as *Bastions ZS*. Tādējādi  
egusies vairāk nekā gadu  
si *Baltas* stratēģiskā inve:  
niesaistīšana.

noslēgtais pirkuma līgu  
redz *Baltas* akciju pārdoši  
r aptuveni 15 miljoniem l  
5 latī par akciju) — iegā  
rijums jāveic līdz 2001.g.  
ūnijam.

*Codan* mārketinga direkt  
ls Mortensens telefonsar  
*Dienu* norādīja, ka *Baltas*  
u iegāde saistīta ar apdr  
šanas grupas vēlmi ien  
ltijas tirgū, kuram, gatavi  
s iestāties Eiropas Savieni  
redz strauju izaugsmi jau  
mā. Viņš nenoliedza, ka  
a labprāt iegādātos arī kī  
drošināšanas sabiedr  
unijā, taču tur šāda izdev  
niem pagaidām neesot ra  
s. Līdz šim Baltijā dāni  
99.gadā iegādājušies Līk  
s apdrošināšanas sabiedrī  
*uvos draudimas* akciju k  
paketi.

«Pusotra gada sekmīga c  
šanās pieredze Lietuvā iec  
āja mūs turpināt ekspani  
ltijas valstīs,» skaidr  
Mortensens. Viņš norād  
līdzīgi kā iepriekš Liet  
kotnē dāņi samazinās s  
ciju skaitu *Baltā* līdz 51%, j  
stot citus investorus. Pot  
lie investori, viņaprāt, var  
t Eiropas Rekonstrukcijas  
istības banka, kā arī Dān  
vestīciju fonds, kurš iegu  
zekļus Austrumeiropā  
entrāleiropā.

*Codan*, kuras pārstāvni  
s atvērtas arī Zviedrijā  
orvēģijā, ietilpst Lielbritān  
drošināšanas sabiedrī  
s apdrošināšanas sabiedrī  
dzīvības jeb pārējo risku  
ošināšanas tirgū grupā  
pstošās sabiedrības *Balta  
gas apdrošināšanas sabie  
pērn iekasēja 15,7 miljo:  
u (ap 18,5% tirgus), savu  
zivības apdrošināšanas tī  
*ltva* parakstīja prēmijas  
34 miljoniem latu (ap 30%  
s), kas ir labākais rādī  
rn starp astoņām  
drošināšanas sabiedrībām  
dz ar *Baltas* no  
n īpašumā ārvalstīs. Š  
tāju tirgus daļa  
gmentā, pēc pro  
rēķiniem, paliņinās  
%. Savukārt dzīvības apc*

