

SIA Stockholm School of Economics in Riga

Registration no. 40003162751

Strēlnieku iela 4A, Riga, LV-1010, Latvia

Annual Report for the Year Ended 31 December 2019

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Company Information

Name of the Company	Stockholm School of Economics in Riga
Legal status of the Company	Limited liability company
Number, place and date of registration	40003162751 Riga, 13 November 1993
Registered address	Strēlnieku iela 4A Riga LV-1010, Latvia
NACE code	85.42 Tertiary higher education
Shareholders	Rīgas Ekonomikas augstskolas – Stockholm School of Economics in Riga Foundation, reg. No. 40008164674 (100%), Strēlnieku iela 4A, Riga, LV-1010, Latvia
Members of the Board	Lars Anders Gustav Paalzow, Chairman of the Board Anders Sixten Georg Alex Alexandersson Raimonds Graudiņš – till 4 December 2019 Santa Blate – from 4 December 2019
Financial year	1 January 2019 to 31 December 2019
Auditors	Egons Liepiņš Certified auditor Licence No. 28 Merhels Revidenti Konsultanti SIA A licensed practice of certified auditors, Licence No. 1 Citadeles iela 12, Riga LV - 1010, Latvia



Management Report

Company's operations in the reporting period

The Stockholm School of Economics in Riga (henceforth the School, SSE Riga or Company) is an autonomous higher education establishment providing academic education. It operates under a trademark license agreement concluded with Handelshogskolan i Stockholm (Stockholm School of Economics, henceforth SSE) on September 10, 2010. There is also a master agreement on education services concluded with SSE on July 1, 2012, specifying the terms for the involvement of SSE faculty in teaching and research activities carried out at the School.

The School offers two degree programmes, a three-year B.Sc. in Economics and Business and two-year part time Executive MBA (EMBA) programme. The Bachelor's degree programme is the main activity of the School. During the reference year 123 new students were admitted to the programme. The total number of students registered in the three year programme fluctuated from 409 on January 1, 2019 to 399 on December 31, 2019. The Bachelor's programme students are mostly admitted from the Baltic states, but students from Russia and the Eastern Partnership countries (Belarus, Ukraine, Moldova and Georgia) are also studying with the support of the Swedish Government Programme. Very important aspect of new student recruitment is availability of the student residence and declared address. To provide students with these services SSE Riga acquired shares of SIA "Patversmes 22" and thus became the owner of SSE Riga student residence building, which in 2019 was put up for sale by its previous owner.

The EMBA programme is also mainly focused on the Baltic states. The two-year modular-based programme broadens students' knowledge in business management, facilitates professional careers, and provides global collaboration opportunities within the SSE alumni network. The EMBA student group consists of 20-30 experienced managers with a variety of academic and professional backgrounds. During the reference year, 24 students were admitted to the programme, and the total amount of registered students was 72.

In addition to the degree programmes, the School offers executive training through open courses, as well as in-house courses tailor made to the customers' needs.

Educational activities in the field of media are organized within the School's Anne-Marie and Gustaf Ander Centre for Media Studies, which has become a hub for journalism professionals to exchange experiences, learn from renowned speakers and provide inspiration for new cooperation and projects. The Media Centre operation and its activities have been made possible thanks to the support by the Swedish foundation Anne-Marie and Gustaf Anders Stiftelse för Medieforskning. The highlights of the activities for the reporting period include educational activities for journalists from the Eastern Partnership countries, the Summer School on Investigative Reporting, forum "Reinventing Media Business", and a number of various other projects and events.

The four main sources of revenue to support the core activity of the School, i.e. the Bachelor's programme, consist of:

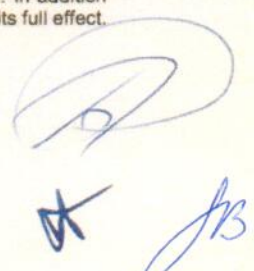
- tuition fees for the B.Sc. studies;
- other educational activities (incl. Executive Education and EMBA) and research activities providing additional funds;
- donations;
- alumni contributions.

The donations and funds donated by the graduates are handed over to the School through Rīgas Ekonomikas augstskolas – Stockholm School of Economics in Riga Foundation (i.e. Shareholder, hereinafter referred to as the "Foundation"). The main strategic goal is to provide the lowest possible tuition fees in the bachelor programme while maintaining outstanding academic quality in order to attract the most talented students. Thus, the support provided by the Foundation and other donors, as well as additional resources from other activities, has so far provided the School with an opportunity for the students from the Baltic states to receive substantial tuition fee waivers.

During the reporting period investments in façade repairs of the building at Strelnieku iela 4A were made in order to prevent the building from deterioration and maintain it in a good shape.

Financial result of the reporting year

Unlike year 2018, which was finished with a loss of EUR 110 190, in 2019 the School has been able to perform with the profit EUR 261 259. There are several reasons for this, including the fact that the research and consulting revenues and foreign financial support for education, research and journalism development increased. In addition 2019 was the first year, in which the impact of the last Bachelor's programme tuition fee increase made its full effect. Also some administrative expenses decreased.



Future perspectives and further development

The main challenge ahead of the School in a five-year perspective is to attract the resources needed for keeping the Bachelor programme tuition fee and the Baltic tuition fee waiver as close to the current level as possible. In this context, it is crucial to maintain and further develop the contacts and cooperation with the donors. At the same time, the School develops close co-operation with the School's Alumni Association, as well as fosters more active involvement of academic staff in research projects and works on attracting full tuition fee paying foreign students. Other types of activity are also encouraged and developed to provide additional income for cover the general costs of the School.

In 2019 a work on reviewing EMBA programme in line with the future trends began in order to make it more attractive and appealing to potential students. Active student recruitment activities are carried out in order to increase the number of students in the EMBA programme. In parallel, further work on the development of new executive education programs is being delivered.

Research and Development

The School participates in various European Union (hereinafter EU) and publicly-funded research and policy-oriented projects, as well as runs its own research activities and institutes. The School's research profile covers a wide range of fields. The research is carried out in areas such as economics, sustainability, migration, labour mobility, shadow economy, tax policy, finance, healthcare, entrepreneurship, creative industries and others. Both faculty and student research is supported.

The School operates the Centre for Sustainability. The Centre organizes seminars and conferences as well as publishes reports on issues related to sustainable business. Furthermore, the Centre is active in the educational programmes of the School.

Financial risk management

(a) Currency risk:

The School renders its services in euros (EUR) and Swedish crowns (SEK). The purchases are primarily made in EUR and SEK. Taking into account the currencies that the School deals with, it is subject to currency risk only from transactions in SEK. This risk is minimized by matching sales transactions with purchase transactions in the same currency.

(b) Liquidity risk:

Liquidity risk is the risk that School will not be able to meet its liabilities timely and effectively. As part of prudent liquidity management, the School maintains sufficient cash reserves in its bank accounts. The School controls its liquidity risk also by planning payment terms for the borrowings and trade payables. The School has access to short-term finance from the Foundation.

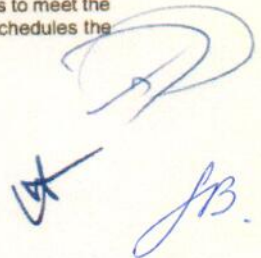
(c) Credit risk:

Credit risk is a risk of loss in case the borrower fails or refuses to meet the liabilities against the School. The School is subject to credit risk related to monetary resources and trade debtors. Management exercises continuous control of the credit risk by analysing the payment history of clients and keeping track of the outstanding balances.

Subsequent events

In March 2020, in the Republic of Latvia as well as in many other countries restrictions related to limiting the spread of the coronavirus Covid-19 entered into force. As a consequence predicted economic growth in Latvia and worldwide is supposed to fall and go into negative numbers. It is impossible to predict, how the situation will develop in future, and, consequently, an uncertainty of the economic development exists. The Company's management is continuously assessing the situation and a crisis management plan was launched on March 15, 2020.

Currently, the Company operates on a remote and online basis. The Bachelor and EMBA programmes are delivered online and necessary adjustments have been made to content to accommodate the new situation. The Company's employees and lecturers have the necessary skills and they are provided with appropriate technical solutions in order to achieve it. To ensure the continuation of the programmes, new admission rules are being developed for effective selection of students to start studies at the School in 2020. The School's Executive Education Department is working on adjusting the training courses to their clients' revised needs and also developing new online offerings to meet the demand for online learning under the current circumstances. The School's Media Studies Center re-schedules the

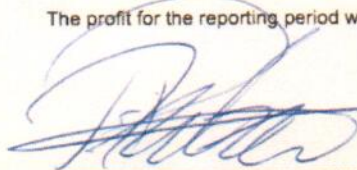


activities planned for the first half of 2020 to autumn and winter, as well as uses the emergency period to prepare new project applications for potential grantors and to develop distance learning programs in their activities' portfolio. The School also continues the current research and consulting projects and the School's researchers proceed with participating in new grant competitions, only activities requiring physical presence are postponed, which does not have a significant impact on the financial result. Savings in management and faculty travel costs are foreseen. Student recruitment, marketing and sales activities are being reviewed and adjusted with an emphasis on engaging communication on social networks and the Internet.

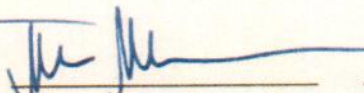
The Company's management believes that the Company will be able to overcome the Emergency Situation without using the state compensatory measures. If necessary, the Company plans to request a loan from the Foundation to solve the short-term cash flow problems. However, this conclusion is based on the information available at the time of signing of this financial statement and the impact of future events on the Company's future operations may differ from the management's assessment.

Board proposals for profit distribution


The profit for the reporting period will be used for covering the losses of the previous periods.



Lars Anders Gustav Paalzow
Chairman of the Board



Anders Sixten Georg Alex
Alexandersson
Member of the Board



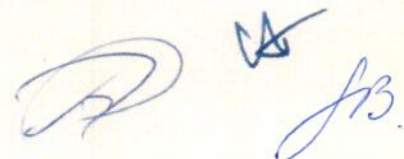
Santa Blate
Member of the Board

Riga, 27 April 2020

Income Statement

	Notes	2019 EUR	2018 EUR
Net sales		2 727 241	2 513 454
Other operating income	2	2 371 500	1 738 965
		5 098 741	4 252 419
Personnel costs	3	(1 377 056)	(1 317 407)
Depreciation and amortization	5, 6	(65 215)	(96 023)
Other operating expenses	4	(3 390 047)	(2 941 723)
Other interest expenses and similar expenses		(4 033)	(4 838)
		(4 836 351)	(4 359 991)
Profit/(loss) before corporate income tax		262 390	(107 572)
Corporate income tax for the financial year		(1 131)	(2 618)
Profit/(loss) for the financial year		261 259	(110 190)

The accompanying notes on pages 9 to 15 are an integral part of these financial statements.



Balance sheet

	Notes	31.12.2019 EUR	31.12.2018 EUR
Assets			
Non-current assets			
Intangible fixed assets	5	-	1
Tangible fixed assets			
Buildings	6	699 908	713 897
Other fixed assets and inventory	6	73 841	99 448
Costs of the unfinished construction	6	114 888	-
Advance payments for fixed assets	6	638	-
		889 275	813 345
Long-term financial assets			
Investments in subsidiaries	7	360 000	-
		1 249 275	813 345
Current assets			
Debtors			
Trade receivables	8	104 533	115 980
Receivables from related entities		43 828	65 445
Other debtors	9	7 124	42 757
Prepaid expenses		116 840	80 804
Accrued income	10	443 416	242 685
		715 741	547 671
Cash	11	384 957	585 147
		1 100 698	1 132 818
Total assets		2 349 973	1 946 164
Liabilities and Shareholder's Equity			
Shareholder's equity			
Share capital	12	1 398 800	1 398 800
Reserves			
a) Other reserves		25	25
Retained earnings brought forward			
a) accumulated losses		(1 056 202)	(946 012)
b) profit/(loss) for the current financial year		261 259	(110 190)
		603 882	342 623
Provisions:			
Other provisions	13	34 936	28 781
		34 936	28 781
Current liabilities:			
Advances from customers		50	420
Payables to suppliers		105 489	102 294
Payables to related entities		400	7 563
Tax liabilities	14	65 379	35 719
Deferred income	15	1 360 548	1 282 769
Other creditors		19 062	5 115
Accrued expenses		160 207	140 880
		1 711 155	1 574 760
Total liabilities and shareholder's equity		2 349 973	1 946 164

The accompanying notes on pages 9 to 15 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

Overall considerations

These financial statements have been drawn up in accordance with the Act of the Republic of Latvia on Annual Reports and Consolidated Annual Reports and the Cabinet of Ministers regulations thereof insofar they apply to small entities.

Disclosure of non-deductible VAT costs has been changed in comparison to disclosure practices used in 2018 to improve the quality of information. As the corresponding information for last year has not been modified, certain income statement items reflected in 'Other operating expenses' are not precisely comparable with the previous year, but the total amount of 'Other operating expenses' is comparable. These changes have no impact on overall results of financial performance.

Application of the going concern principle

As at 31 December 2019 the Company's current liabilities exceed its current assets by EUR 610 457 (31 December 2018: EUR 441 942). If deferred income is excluded from current liabilities because it will not generate cash outflows for the Company, then net current assets are positive. Taking into account the Company's positive equity, positive operating result for the reporting year and liquidity reserves, despite the possible negative impact of Covid-19, there is no doubt about the Company's ability to continue as a going concern for at least the next 12 months. Accordingly, the Company's Annual Report has been prepared on a going concern basis.

Consolidation

As the financial results of the Company's subsidiary are insignificant, the Company does not prepare a consolidated report with reference to Article 66 of the Act on Annual Reports and Consolidated Annual Accounts.

Use of estimates and assumptions

The management relies on certain estimates and assumptions when preparing the financial statements, which have impact on specific profit and loss items and the balance sheet as well as on the expected amount of liabilities. Future events may influence assumptions that provide the basis for the estimates. Any changes in the estimates and their impact are reflected in the financial statements at the time they occur.

Significant management judgement and estimation uncertainty

Provisions for guaranteed student loans. At close of each reporting year the School reviews validity of algorithm used to assess provisions for guaranteed student loans. As at 31 December 2019 there were no indications in place triggering revision of existing computation practices for assessment of provisions for guaranteed student loans.

Revenue recognition for projects. Revenues pertinent to unfinished projects at close of the reporting year are assessed on a project by project basis with reference to amount of expenses incurred thereof by close of the reporting year, total budgeted expenses and contractual provisions.

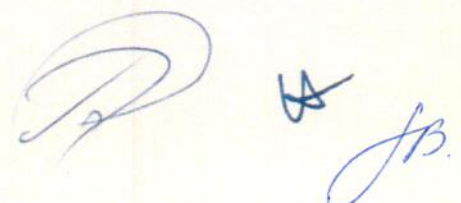
Useful life of fixed assets. Management reviews the useful lives of depreciable assets at each reporting date. Changes were made to the useful remaining life of building as of the year ended on 31 December 2019 – the depreciation of the building is calculated according the rate 1% in the reporting year instead of 2% in previous years.

Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Foreign currencies

The functional and presentation currency of the School is euro (EUR). The transactions in foreign currency are translated into euro applying the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro applying the official exchange rate established by the European Central Bank at the last day of the reporting year. Foreign exchange gains and losses are recognised in the income statement.



Revenue and expense recognition

Tuition fees: Income from the tuition fees in B.Sc. and EMBA programme is recognized proportionally to the volume of services provided during the reporting period. Study fees becoming receivable or received during the reporting year, which relate to preceding study period, are accounted as deferred income. Study fees, which relate to the period under review, but where invoices have not yet been issued, are accounted as accrued income.

Revenues from projects: The School has concluded contracts about projects that start and end in different reporting periods. At the end of the year revenues thereof are assessed separately on a project by project basis with reference to amount of expenses incurred during the reporting year.

Other revenues: Revenues from services are recognized at the time when they occur.

Donations: Donations are recognized in profit and loss statement in the period when they are received or during the period, when expenses or losses subject to compensation were incurred.

Expenses: Expenses are recognised based on the time of their occurrence rather than the time of payments.

Net sales

Net sales are comprised of revenues from B.Sc., EMBA, and Executive Education programmes carried out during the reporting period.

Intangible fixed assets

The School recognises only the purchased for intangible fixed assets. These are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write down the cost of intangible assets over the estimated useful economic life as follows:

	%
Intangible assets	33.33

Computer software maintenance costs are expensed as incurred.

Tangible fixed assets

Purchases of individual tangible fixed assets exceeding EUR 350 and expected to be in use for more than a year are capitalised.

Tangible fixed assets are stated at their historic cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

	%
Building and its components	1
Roofs of the buildings	10
Furniture	20
Portable computers	50
Other fixed assets and intangible assets	33.33

Maintenance and repair costs are expensed as incurred unless they extend the useful economic life and/ or improve the economic potential of the underlying asset.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement during the period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment in a related company

Investment in subsidiary is stated at cost less impairment losses. Income from subsidiary is recognized only when share of the post-acquisition profits is received. Amounts received in excess of this gain are treated as a recovery of the investment and are recorded as a reduction in the cost of the investment.



If there is objective evidence that an investment is impaired, the impairment loss is calculated as the difference between the investment's carrying amount and its recoverable amount. Recoverable amount is determined as the higher of an investment's fair value less costs to sell and value in use. An impairment loss in respect of an investment may be reversed if there has been a change in the estimates used to determine the impairment loss since the last impairment loss was recognized.

Loans

Loans are recognised upon disbursement of funds to borrower. They are derecognised when the contractual rights to the cash flows from the loan expire, or when the loan and all substantial risks and rewards are transferred. Loans are recognized at their initial value.

Trade receivables

Receivables are recognized at net amount due, which is calculated as book value less provisions for doubtful trade receivables. Provisions are valued at the amount, which is doubtful to be received. The School recognizes provisions based on an individual assessment of the recoverability of each receivable.

Borrowings

Borrowings are recognised at proceeds received less net of transaction costs incurred. Interest charges and commissions related to the borrowings are recognized as costs, and they are included in the profit and loss once incurred.

Deferred income

Deferred income consists of:

- Study fees paid by the students that relate to the next financial year;
- Fees paid under Executive Education study programs that relate to the next financial year;
- Received financing for education, research and journalism development activities. The funding will be used in next financial year

Provisions

Provisions are recognised when the School has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Guarantees: The School has concluded contracts with banks for guaranteed study loans. According to the contracts, banks provide information to the School about the actual amounts of overdue loans. Based on this information and experience to date, the School makes provisions for the total amount of student loans considered as bad or doubtful by assuming that half of such loans as reported by banks as of the end of the reporting period will not be recovered.

Provisions for costs of lecturers: These provisions are comprised of costs pertinent to activities of lecturers whose amount or timing of settlement are uncertain.

Liabilities

Liabilities are shown on the balance sheet as long-term or short-term ones, depending on the maturity of the debt or the maturity of the liability, whichever occurs later than 12 months after the end of the respective reporting year or within 12 months after the end of the reporting year.

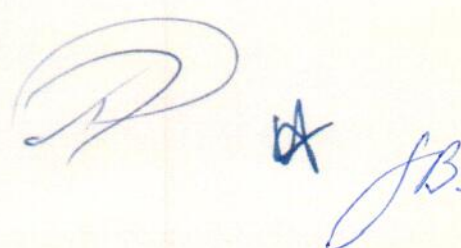
Accrued liabilities

Accrued expenses are comprised of liabilities to suppliers for services and goods received during the reporting period, when purchase invoices have not been received up to the balance sheet date. Further they include accrual for unused annual leave of personnel.

Liability for unused annual leave is estimated with reference to the number of unused holiday days and an employee's average pay during 6 months up to the balance sheet date.

Related parties

The Foundation - sole shareholder of the School, is defined as the related undertaking.



The following parties are defined as the related parties: SSE, the Foundation - sole shareholder of the School, the Members of the Company's Management Board, their close relatives and companies in which they have a control or significant influence.

	2019 EUR	2018 EUR
2. Other operating income		
Revenue from foreign grants for education, research and journalism development activities	1 797 120	1 275 078
Revenue from research, consulting etc. services	232 999	135 176
Revenue from lease and conference organization	182 308	159 341
Revenue from donations	83 460	82 055
Grant from the Shareholder	43 150	51 700
Grants from state institutions	11 431	8 911
Other operating income	21 032	26 704
	2 371 500	1 738 965
3. Personnel costs		
Remuneration for work	(1 085 396)	(1 031 662)
Social insurance contributions	(260 219)	(247 795)
Other personnel costs	(31 441)	(37 950)
	(1 377 056)	(1 317 407)
4. Other operating expenses		
Fees for services for education, research and journalism development activities	(2 239 414)	(1 743 622)
Administration and travel expenses	(342 792)	(307 794)
Rent and maintenance of premises	(265 733)	(267 709)
Marketing and advertisement expenses	(198 506)	(147 735)
ERASMUS scholarships and other student costs	(145 071)	(132 551)
Procurement of books, periodicals, licences and data bases	(143 038)	(153 282)
Non-recoverable input VAT	(55 493)	(189 030)
	(3 390 047)	(2 941 723)
5. Intangible fixed assets		
		Other intangible assets EUR
Cost		
31.12.2018		7 010
Additions		-
Disposals		-
31.12.2019		7 010
Accumulated amortisation		
31.12.2018		(7 009)
Charge for the year		(1)
Disposals		-
31.12.2019		(7 010)
Net book value as at 31.12.2018		1
Net book value as at 31.12.2019		-

6. Tangible fixed assets

	Buildings and constructions** EUR	Other fixed assets EUR	Costs of the unfinished construction* EUR	Advance payments for fixed assets EUR	Total EUR
Cost					
31.12.2018	1 435 796	411 393	-	-	1 847 189
Additions	-	25 745	114 888	638	141 271
Disposals	-	(8 974)	-	-	(8 974)
31.12.2019	1 435 796	428 164	114 888	638	1 979 486
Accumulated depreciation					
31.12.2018	(721 899)	(311 945)	-	-	(1 033 844)
Charge for the year	(13 989)	(51 226)	-	-	(65 215)
Disposals	-	8 848	-	-	8 848
31.12.2019	(735 888)	(354 323)	-	-	(1 090 211)
Net book value as at 31.12.2018	713 897	99 448	-	-	813 345
Net book value as at 31.12.2019	699 908	73 841	114 888	638	889 275

* During the reporting period investments in façade repairs were made.

** The building at Strēlnieku iela 4A, Riga, which has been contributed to the School by shareholder, cannot be expropriated, pledged or otherwise encumbered. If the School is dissolved, then the state invested building shall be transferred to the University of Latvia. If the University of Latvia fails to use the building in accordance with the functions stipulated in its Constitution, the building shall be returned to the state without compensation.

	31.12.2019 EUR	31.12.2018 EUR
7. Investments in subsidiaries		
Investments in subsidiary SIA Patversmes 22, 100%	360 000	-
	360 000	-

In the reporting year, the Company acquired 100% of the share capital of SIA "Patversmes 22", which owns the School's dormitory building, in order to continue providing the School's students with a place of residence and declared address, which is especially relevant for foreign students.

8. Trade receivables		
Trade receivables, gross	134 333	132 230
Less: specific bad and doubtful debt provisions	(29 800)	(16 250)
	104 533	115 980
9. Other debtors		
Due from students*	34 870	45 049
Overpaid taxes	642	801
Other debtors	6 482	41 956
	41 994	138 102
Provisions for students' debts	(34 870)	(45 049)
	7 124	42 757

* The School has signed agreements with Latvian registered credit institutions, acting as guarantor for student loans provided for studies at SSE Riga. During 2019 the School had to fulfil the guarantee obligations in amount of EUR 11 487. The School has taken over claims against the students and initiated the debt collection process. During 2019 the School has collected debts in amount of 10 379 EUR and written-off debts in amount of 11 287 EUR.

	31.12.2019 EUR	31.12.2018 EUR
10. Accrued income		
Accrued income from EU and government funded projects	393 316	190 485
Accrued income from EMBA program	46 400	52 200
Accrued income for Executive education courses	3 700	-
	<u>443 416</u>	<u>242 685</u>

	31.12.2019 EUR	31.12.2018 EUR
11. Cash		
Cash at bank	383 170	583 313
Cash in hand	1 787	1 834
	<u>384 957</u>	<u>585 147</u>

Cash at bank inter-alia includes EUR 20 867 which are held in the Treasury of the Republic of Latvia. These funds can be used only for payments under ERASMUS scheme.

12. Share capital

Registered and paid-up share capital consists of 100 ordinary shares with a nominal value of EUR 13 988 each.

13. Other provisions

	Provisions for guaranteed student loans EUR	Provisions for costs of lecturers EUR	Total EUR
31.12.2018	10 381	18 400	28 781
Charge for the year	5 703	452	6 155
Reversal of the charge for the year	-	-	-
31.12.2019	<u>16 084</u>	<u>18 852</u>	<u>34 936</u>

	31.12.2019 EUR	31.12.2018 EUR
14. Tax liabilities		
Social security tax	36 589	-
Value added tax	28 783	35 184
Corporate income tax	7	535
	<u>65 379</u>	<u>35 719</u>

15. Deferred income

	31.12.2019 EUR	31.12.2018 EUR
For B.Sc. study program	711 181	746 179
For foreign grants for education, research and journalism development activities	348 109	355 195
For EMBA study program	267 300	154 200
For Executive Education study programs	33 793	27 195
Other deferred income	165	-
	<u>1 360 548</u>	<u>1 282 769</u>

16. Personnel information

	2019	2018
Average number of persons employed in the School during the year	59	54

17. Off the balance sheet liabilities

In 2008 the School concluded agreements with Latvian-registered credit institutions for provision of study loans to its students. Students receive the loans in accordance with the schedule set out in the contracts. The total

guaranteed amount to the credit institutions as of 31 December 2019 constitutes EUR 1 166 538 (31.12.2018: EUR 1 091 175).

The future minimum lease payments under operating leases of premises as at 31 December 2019 stand at EUR 13 900, exclusive of VAT (31.12.2018: EUR 13 900 exclusive of VAT). They are payable within 1 year.

18. Trademark license agreement

On 10 September 2010, the School entered into an open-ended agreement with SSE about the exclusive rights to use the SSE brand name for Bachelor and Master Study programs provided in the Republic of Latvia. The contract stipulates that royalties for the rights to use the trademarks amounting to 2.5% of gross income should be paid starting with the financial year beginning at 1 July 2018. However, the Founders' Agreement signed on 11 August 2010 specifies that the royalties under the Licence Agreement are payable to SSE only, if SSE Riga has generated sufficient net profit from core operations in the particular year. As no such net profit was generated in 2019 and 2018, no royalty fees were calculated in 2019 and 2018.

19. Subsequent events

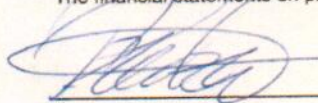
In March 2020, in the Republic of Latvia as well as in many other countries restrictions related to limiting the spread of the coronavirus Covid-19 entered into force. As a consequence predicted economic growth in Latvia and worldwide is supposed to fall and go into negative numbers. It is impossible to predict, how the situation will develop in future, and, consequently, an uncertainty of the economic development exists. The Company's management is continuously assessing the situation and a crisis management plan was launched on March 15.

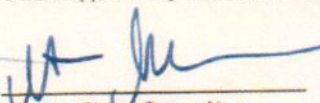
Currently, the Company operates on a remote and online basis. The Bachelor and EMBA programmes are delivered online and necessary adjustments have been made to content to accommodate the new situation. The Company's employees and lecturers have the necessary skills and they are provided with appropriate technical solutions in order to achieve it. To ensure the continuation of the programmes, new admission rules are being developed for effective selection of students to start studies at the School in 2020. The School's Executive Education Department is working on adjusting the training courses to their clients' revised needs and also developing new online offerings to meet the demand for online learning under the current circumstances. The School's Media Studies Center re-schedules the activities planned for the first half of 2020 to autumn and winter, as well as uses the emergency period to prepare new project applications for potential grantors and to develop distance learning programs in their activities' portfolio. The School also continues the current research and consulting projects and the School's researchers proceed with participating in new grant competitions, only activities requiring physical presence are postponed, which does not have a significant impact on the financial result. Savings in management and faculty travel costs are foreseen. Student recruitment, marketing and sales activities are being reviewed and adjusted with an emphasis on engaging communication on social networks and the Internet.


The Company's management believes that the Company will be able to overcome the Emergency Situation without using the state compensatory measures. If necessary, the Company plans to request a loan from the Foundation to solve the short-term cash flow problems. However, this conclusion is based on the information available at the time of signing of this financial statement and the impact of future events on the Company's future operations may differ from the management's assessment.

20. Approval of Annual Report


The financial statements on pages 7 to 15 were approved by the Board of Directors on 27 April 2020.


Lars Anders Gustav Paalzow
Chairman of the Board


Anders Sixten Georg Alex
Alexandersson
Member of the Board


Santa Blate
Member of the Board

The financial statements were prepared by Iļga Beča, the School's Financial Controller.


Iļga Beča
Financial controller