

# Annual Financial Reporting

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Commercial companies, cooperative companies, European economic interest groupings, European cooperative societies and European commercial companies registered in Latvia must prepare their annual accounts in accordance with the Annual Accounts and Consolidated Annual Accounts Act. Sole traders as well as farming and fishing enterprises must prepare their annual accounts in accordance with the Act if their revenue exceeds € 300 000 in the last year.

The Act divides companies into four categories based on defined criteria. If two out of three criteria are met for two consecutive years, the entity must be reclassified into the relevant category:

	Net revenue (EUR)	Total balance sheet (EUR)	Average number of employees in financial year
Micro company	< 700 000	< 350 000	< 10
Small company	< 8 million	< 4 million	< 50
Medium company	< 40 million	< 20 million	< 250
Large company	> 40 million	> 20 million	> 250

Annual accounts consist of a financial statement and a management report. Companies classified as small may elect not to prepare a cash flow statement and a statement of changes in equity. The Act also defines certain exemptions for required disclosures.

A management report must provide information about the company's development, financial results and position, as well as the main risks and uncertainties it faces.

Annual accounts must be audited by a certified auditor under the Certified Auditors Act if the company is large or medium or if its transferable securities are traded on a regulated market. A statutory audit must also be performed for small companies if one of the following conditions is met:

- 1 it exceeds two of the following criteria for two consecutive years: total balance sheet of € 800 000; net revenue of € 1.6 million; an average of 50 employees in the financial year;
- 2 it is the parent in a group of companies;
- 3 it is a public person's company or its subsidiary or a public-private capital company within the meaning of the Management of Public Persons' Shares and Companies Act; or
- 4 it elects to recognise certain financial statement items in accordance with IFRS.

Companies must submit their annual accounts together with a certified auditor's report (if any) to the State Revenue Service within one month of the accounts being approved, and within four months of the end of the financial year (for medium and large companies – within seven months of the end of the financial year). In general, the financial year coincides with the calendar year, however companies are free to choose other starting and end points for their financial year.

## Additional information

[www.vid.gov.lv](http://www.vid.gov.lv)

[www.fm.gov.lv](http://www.fm.gov.lv)

<https://www.liaa.gov.lv/en/invest-latvia/business-guide/annual-financial-reporting>