# AS Virši-A

**(UNIFIED REGISTRATION NUMBER 40003242737)**

# ANNUAL REPORT FOR 2021

## PREPARED IN ACCORDANCE WITH THE ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORT LAW

AND INDEPENDENT AUDITORS' REPORT

**Riga, 2022**

## Contents

# General information

| | |
|---|---|
| Name of company | **Virši-A** |
| Legal form | Joint Stock Company |
| Registration number and date | 40003242737, 6 January 1995 |
| Legal address | Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 |
| Members of the Board | Jānis Vība, Chairman from 13.04.2021 (previously: Member of the Board)<br>Linda Prūse, Member of the Board from 13.04.2021<br>Vita Čirjevska, Member of the Board from 13.04.2021<br>Jānis Riekstiņš, Chairman of the Board until 13.04.2021<br>Jānis Rušmanis, Member of the Board until 13.04.2021<br>Ilgvars Zuzulis, Member of the Board until 13.04.2021<br>Andris Priedītis, Member of the Board until 13.04.2021 |
| Members of the Council | Jānis Riekstiņš, Chairman of the Council from 13.04.2021<br>Jānis Rušmanis, Deputy Chairman of the Council from 13.04.2021 Ilgvars Zuzulis, Member of the Council from 13.04.2021<br>Andris Priedītis, Member of the Council from 13.04.2021<br>Ivars Blumbergs, Member of the Council from 13.04.2021<br>Silva Skudra, Member of the Council<br>Madara Volksone, Chairwoman of the Council until 13.04.2021<br>Ausma Rušmane, Deputy Chairwoman of the Council until 13.04.2021 |
| Information on subsidiaries | Viršu nekustamie īpašumi, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00%<br><br>VIRŠI loģistika, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00%<br><br>VIRŠI Renergy, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00% |
| Information on associated companies | GasOn, SIA<br>Tallinas iela 17-4, Riga, Latvia, LV-1012<br>Holding: 30.00% |
| Chief Accountant | Jeļena Laurinaviča |
| Auditors | KPMG Baltics SIA<br>Vesetas iela 7<br>Riga, Latvia LV-1013<br>Licence No. 55 |

# Management report

**Line of business**
AS Virši-A is the largest local fuel trader with 100% Latvian capital (hereinafter also referred to as "the Company"). The Company is engaged in wholesale and retail sale of oil products and retail sale of car goods and groceries through the network of own filling stations. The Company's share capital amounts to EUR 7 545 604.50 and consists of 15 091 209 shares. Nominal value per share is EUR 0.50. All shares are fully paid up.

**The Company's activities during the reporting year**
In 2021, the Company successfully continued implementing its development strategy which involved objectives such as a substantial expansion of the network, modernisation of filling stations and providing consistently high quality of products and services to its customers, and also extending support to Latvian producers by presenting them an opportunity to place their products in stores of AS Virši-A. During 2021, the Company continued efforts to promote the new type of alternative fuel - compressed natural gas (CNG) by opening four more CNG filling locations which helps Latvia towards achieving the goal of reducing harmful emissions in the transport segment. During the year, the network of AS Virši-A consisted of 65 filling stations of which eight offered CNG.

The strategic investments made in 2021 are aimed at continuing to extend the station network of the Company. Five new filling stations were opened near Olaine, Nākotne (Dobele region), Liepāja (Cukura iela), Riga (Katrīnas dambī) and Auce. The Group continued investing in the internal infrastructure and design of fuel stations, thus providing a wider range of high-quality catering and coffee products. This year, we renovated and modernised 19 filling stations which received improvements in production areas to make them more energy efficient and convenient for employees, and 4 filling stations were rebuilt in line with the latest design and quality concept for filling stations. In order to offer clients more diverse and efficient services, significant resources were invested in IT solutions in filling stations. In order to find new ways to reduce harmful emissions, the Company acquired a CNG vehicle for technical support.

During the year, the volume of fuel sold in tons and the turnover of goods increased sharply, which contributed to an increase in net sales during 2021 by 28.7%, and profit was EUR 5 410 170 or 25.8% more than in 2020. The Company's operating profit margin in 2021 was 2.5% (2020: 2.5%).

In order to provide customers with high quality fuel the largest fuel supplier for the network of filling stations of AS Virši-A remains SIA Orlen Latvija. SIA Orlen Latvija is the representative office of the Lithuanian oil processing company Orlen Lietuva and it is responsible for the sale of oil products in Latvia imported from the oil processing plant in Mazeiki. Orlen is the second largest oil processing company in Central Europe.

In 2020, the Company commenced restructuring of the legal structure of Virsi Group by investing related party SIA Virsi nekustamie ipasumi, an entity engaged in development and rent of real estate, into SIA Virsi logistika, which provides fuel logistic services in the network from January 2021, and subsidiary SIA Virsi Renergy was founded to act as the trader of natural gas and electricity. The reorganisation was completed in February 2021. The new organisational structure will enable the Group to sustain a high standard of corporate governance and risk management.

In 2017, AS Virši-A was entered in the register of participants of the Extended Cooperation Programme of the SRS, and in 2020 and 2021 the Company was a gold level member of the programme. In 2021, the Company paid over EUR 49.7 million in taxes.

**Shares of AS VIRŠI-A listed on the alternative market First North**
Encouraged by strong financial performance and rapid growth over the last five years accompanied by an ambitious and sound future growth strategy the shareholders and management of AS Virši-A initiated an Initial Public Offering (IPO) in the second half of 2021. The main aim of the IPO is to raise additional capital in order to further accelerate the Group's future growth strategy. The decision and future vision was presented to the market in April 2021. One of the objectives of the group during the IPO from 25 October to 5 November 2021 was to address the existing loyal clients who visit filling stations of the Group daily and to promote future growth by investing funds attracted as a result of IPO in further development of biomethane and compressed natural gas (CNG) products, EV charging points and solar panel solutions in the Group's operations, and improvements to the IT infrastructure.

Under the IPO 9 979 investors applied for 1 735 489 new shares of AS Virši-A and the demand exceeded the base supply by almost two times, which was the highest investor activity on record in Latvia. Interest in the shares was shown by both institutional and private investors, which helped attract capital of EUR 7.8 million. In the IPO shares were obtained by 4 732 investors from Latvia, 5 128 from Estonia and 97 investors from Lithuania. Out of all 9 979 investors 15 were institutional.

Investors who hold at least 100 shares qualify for Virši Shareholders Loyalty Programme which involves special offers of fuel and other goods in the filling stations of the Group.

# Management report

**ESG reporting**

It has been becoming increasingly clear in the recent years that the performance and achievements of any company should be considered also in the context of sustainability with performance indicators assessed in conjunction with environmental, social and corporate governance matters. This provides a significantly deeper and wider insight into operations of the company and fosters transparency. To that end, in 2021 we prepared the first non-financial report on the implementation of environmental, social responsibility and corporate governance principles. The report was prepared to introduce clients, employees, future investors and shareholders, and the wider public to ESG indicators and initiatives to be taken by VIRŠI in future years.

**Environment protection measures**

AS VIRŠI-A has an integrated approach to prevention and control of pollution and are compliant with the environmental requirements set forth in category C and B polluting activity permits and laws and regulations.

Since 2015, the Company has continued to maintain the operational and investment strategy in line with ISO 50001, and in 2021 Virši aimed to raise quality standards and implement an environmental management system in line with ISO 140001:2015; as a result, AS Virši-A was certified in September. AS Virši-A is in full compliance with all environmental protection requirements.

During 2021, AS Virši-A modernised and improved 21 filling stations to make them compliant with the highest quality standards, to expand the range of fast food products offered to clients, to create a unified image and lighting solutions using more energy efficient solutions. Seeking to reduce consumption of electricity, lighting bodies in 16 stations were replaced with alternative solutions of higher energy efficiency that allowed to save 14.64 MWh per year. In the autumn of 2021, filling station Broceni was equipped with roof solar panels.

One of the constant objectives of the Company is to improve its environmental and energy efficiency performance, save natural resources and control environmental pollution by seeking to reduce it.

The environment protection activities implemented in 2021 are:

- in three stations, fuel filling equipment was replaced with new units equipped with a STAGE II vapour capture system to direct fuel vapour back into the tank and reduce the amount of fuel emissions;
- to prevent soil and ground water pollution with oil products in one of the purchased filling stations an anti-infiltration surface was installed and the asphalt paving was restored in the entire territory;
- in 19 filling stations water drainage purification facilities were cleaned and fuel tanks were cleaned in 11 stations. The biological purification facilities are maintained on a regular basis. In the reporting year, one of such facilities was renovated and improved;
- as part of responsible treatment of historical soil pollution of filling stations, at two stations polluted ground waters were removed or recovery works were carried out as laid down in Category B permit for polluting activities
- geo-ecological studies were conduced in five stations to establish the quality of soil and ground waters. The study results showed that none of the monitoring wells contained traces of oil products in excess of set thresholds.

During the year, AS VIRŠI-A provided 104.68 tons of hazardous waste to a licensed transporter of hazardous waste, which is 25% less than in 2020. The Company is active in waste sorting and during the year provided 372.13 tons of sorted waste, which is 10% more than in 2020 and 1 416.59 tons of unsorted municipal waste.

**Employees**

In 2021, the Group employed on average 619 people, which is 6.5% more compared to 2020.

In recognition of the role of employees in the development of Virši, the Company continued investing sizeable funds in staff training and development. The internal staff training programme *Virši School* was improved by transforming training materials into e-learning materials which enable each employee to continue learning regardless of any restrictions introduced due to the pandemic. In order to help develop and sustain talent in the company, a fuel station staff Mentoring programme and training system was implemented in 2021.

In May 2021, the Company organised the employee event ''Viršu Forums 2021 – Cilvēks cilvēkam" to inspire, inform and maintain the engagement of all Virši employees. Participants were able to watch a live video presentation by the management concerning company development and future plans and to communicate on-line with the management to provide valuable feedback.

**Support to Latvia State Blood donor centre**

The outbreak of Covid-19 and the related restrictions introduced in Latvia notably reduced the activity of blood donors in Latvia. However, given that blood donation during the pandemic is particularly important in 2021 AS VIRŠI-A entered into a long-term cooperation with the

# Management report

Latvian State Blood Donor Centre to promote public awareness of the importance and possibilities to donate blood and the importance of donating blood on a regular basis. By means of a joint information campaign, free coffee to each blood donor in 2021 and reinforcing that a single donor can help at least three people VIRŠI helped the State Blood Donor Centre reach and address a larger audience of donors and provide patients in Latvian hospitals with the support they needed.

**Management of financial risks**
The Company is exposed to financial risks including credit risk, oil price risk, interest rate and currency risk. In order to control significant risks and mitigate the adverse impacts of the financial market, the Company's management observes internal procedures.

Credit risk is controlled by the Company through constant assessment of client credit history based on credit policies in place. Receivables are registered by an individual assessment of the customer's credit history and financial indicators within appropriate credit limits and due days set. Trade receivables are carried at recoverable amount. The Company's partners in cash transactions are local and foreign financial institutions with appropriate credit history.

The Company is exposed to the oil price risk both as it purchases and sells fuel products as the price of fuel products is closely linked to market fluctuations in oil prices. The risk is mitigated as the Company's prices are predominantly set on the basis of the actual fuel purchase price.

The Company observes a prudent policy for managing liquidity risk and secures access to appropriate amounts of cash and cash equivalents or credit resources under bank credit lines to be able to meet its liabilities as they fall due.

For the purposes of currency risk management, the Company's management monitors the currency structure of assets and liabilities. Due to the current structure of the financial assets and liabilities denominated in foreign currencies, the currency risk is not material.

**Subsequent events**
From 2020 and subsequent to the year end, the Republic of Latvia and many countries worldwide had restrictions in place to limit the spread of the coronavirus which notably slowed the economic development in the country and the world. As it is not possible to predict how the situation will unfold there is uncertainty with regard to the economic development. The management of the Company constantly evaluates the situation. At the date of these financial statements, the Company's financial results for 2022 are strong and exceed the budget. The management believes the Company will be able to overcome the emergency situation with the help of the following measures: financial monitoring of all units and development and coordination of a crisis plan, timely planning of purchases of resources, and daily in-depth analysis of receivables risk. This conclusion is based on the information available as at the date of these financial statements.

On February 24, 2022, the Russian Federation started a military operation in Ukraine, which has resulted in war in Ukraine. Countries around the world support Ukraine by issuing financial and economic sanctions against Russia. The management of the Company has evaluated the existing clients, suppliers and business processes and found the situation to be stable for the company, but there is uncertainty related to further actions by the neighbouring Russian Federation and the extent and future impact of the sanctions.

Riga, 6 April 2022

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|---|---|---|
| Jānis Vība<br>Chairman of the Board | Linda Prūse<br>Member of the Board | Vita Čirjevska<br>Member of the Board |

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## Profit and loss statement

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | **EUR** | **EUR** |
| Net sales | 2 | 220 656 051 | 171 422 791 |
| Cost of sales | 3 | (194 756 379) | (149 681 041) |
| **Gross profit** | | **25 899 672** | **21 741 750** |
| Selling expenses | 4 | (18 282 971) | (15 108 459) |
| Administrative expenses | 5 | (2 002 681) | (1 826 443) |
| Other operating income | 6 | 132 815 | 190 190 |
| Other operating expenses | 7 | (276 077) | (622 339) |
| Other interest and similar income: | | | |
| b) from other parties | | 90 176 | 30 834 |
| Interest and similar expenses: | | | |
| b) to other parties | | (131 857) | (104 368) |
| **Profit before corporate income tax** | | **5 429 077** | **4 301 165** |
| Corporate income tax for the reporting year | | (18 907) | - |
| **Profit after corporate income tax** | | **5 410 170** | **4 301 165** |
| **Profit of the reporting year** | | **5 410 170** | **4 301 165** |

The accompanying notes on pages 12 to 29 are an integral part of these financial statements.

Riga, 6 April 2022

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|---|---|---|
| Jānis Vība<br>Chairman of the Board | Linda Prūse<br>Member of the Board | Vita Čirjevska<br>Member of the Board |

Jeļena Laurinaviča
Chief Accountant

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# Balance sheet as at 31 December 2021

**ASSETS**

| **NON-CURRENT ASSETS** | Note | **31.12.2021 EUR** | **31.12.2020 EUR** |
|---|---|---|---|
| **Intangible assets** | 8 | | |
| Concessions, patents, licenses, trademarks and similar rights | | 74 053 | 89 040 |
| Other intangible assets | 15 | 80 307 | 53 494 |
| TOTAL | | **154 360** | **142 534** |
| **Fixed assets** | 9 | | |
| Real estate properties: | | | |
| a) Land, buildings and engineering structures | | 31 035 370 | 27 678 504 |
| Leasehold improvements | | 1 104 192 | 914 743 |
| Equipment and machinery | | 4 020 441 | 4 784 590 |
| Other fixed assets | | 3 058 995 | 2 427 827 |
| Construction in progress | | 209 565 | 100 885 |
| Prepayments for fixed assets | | 107 666 | 53 263 |
| TOTAL | | **39 536 229** | **35 959 812** |
| **Long term financial investments** | | | |
| Investment in subsidiaries | 10 | 6 447 560 | 5 770 100 |
| Investment in associated companies | 11 | 1 534 824 | - |
| Loans to associated companies | | 278 400 | - |
| TOTAL | | **8 260 784** | **5 770 100** |
| **TOTAL LONG TERM INVESTMENTS** | | **47 951 373** | **41 872 446** |
| | | | |
| **CURRENT ASSETS** | | | |
| **Inventories** | | | |
| Raw materials | 12 | 4 188 658 | 146 621 |
| Finished goods and goods for sale | 12 | 7 186 889 | 5 218 195 |
| Prepayments for inventories | | 423 930 | 77 589 |
| TOTAL | | **11 799 477** | **5 442 405** |
| **Receivables** | | | |
| Trade receivables | 13 | 12 488 802 | 8 943 199 |
| Due from related parties | | 118 239 | 50 805 |
| Other receivables | 14 | 285 155 | 114 464 |
| Loans to related parties | 15 | 3 883 534 | 2 532 225 |
| Prepaid expenses | | 98 688 | 110 665 |
| Accrued income | | 98 344 | 104 267 |
| TOTAL | | **16 972 762** | **11 855 625** |
| **Cash** | 16 | 5 797 392 | 3 508 894 |
| **TOTAL CURRENT ASSETS** | | **34 569 631** | **20 806 924** |
| | | | |
| **TOTAL ASSETS** | | **82 521 004** | **62 679 370** |

# Balance sheet as at 31 December 2021

## LIABILITIES

| | Note | 31.12.2021 EUR | 31.12.2020 EUR |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 17 | 7 545 605 | 6 677 860 |
| Share premium | 17 | 6 358 527 | - |
| Long-term investment revaluation reserve | 18 | 16 342 102 | 17 357 826 |
| Reserves: | | | |
| f) other reserves | | 25 731 | 25 731 |
| Retained earnings of the previous years | | 12 085 729 | 7 784 564 |
| Profit of the reporting year | | 5 410 170 | 4 301 165 |
| **TOTAL EQUITY** | | **47 767 864** | **36 147 146** |
| **LIABILITIES** | | | |
| **Long-term liabilities** | | | |
| Loans from credit institutions | 19 | 5 535 431 | 3 966 318 |
| Other loans | 20 | 5 532 616 | 6 847 743 |
| TOTAL | | **11 068 047** | **10 814 061** |
| **Current liabilities** | | | |
| Loans from credit institutions | 19 | 1 334 024 | 1 260 490 |
| Other loans | 20 | 700 000 | 240 000 |
| Customer advances | | 315 538 | 233 224 |
| Accounts payable to suppliers and contractors | | 15 625 613 | 8 903 975 |
| Due to related companies | | 238 406 | 26 200 |
| Taxes and social contributions | 23 | 3 349 491 | 3 384 917 |
| Other liabilities | 21 | 496 530 | 434 579 |
| Deferred income | | 7 651 | 4 187 |
| Accrued liabilities | 22 | 1 617 840 | 1 230 591 |
| TOTAL | | **23 685 093** | **15 718 163** |
| **TOTAL CREDITORS** | | **34 753 140** | **26 532 224** |
| **TOTAL LIABILITIES** | | **82 521 004** | **62 679 370** |

The accompanying notes on pages 12 to 29 are an integral part of these financial statements.

Riga, 6 April 2022

| Jānis Vība<br>Chairman of the Board | Linda Prūse<br>Member of the Board | Vita Čirjevska<br>Member of the Board |
|---|---|---|

Jeļena Laurinaviča
Chief Accountant

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## Statement of cash flow

| | Note | 2021 EUR | 2020 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before corporate income tax | | 5 429 077 | 4 301 165 |
| Adjustments for: | | | |
| impairment of fixed assets | | 2 457 085 | 1 731 557 |
| impairment of intangible assets | 8 | 91 101 | 80 706 |
| other interest and similar income | | (90 176) | (30 834) |
| interest and similar expenses | | 131 857 | 104 368 |
| ***Profit before adjustment for the impact of changes to current assets and current liabilities*** | | ***8 018 944*** | ***6 186 962*** |
| (increase)/decrease of receivables | | (3 781 520) | 2 850 795 |
| (Increase) or decrease in inventories | | (6 357 072) | 511 923 |
| Increase/(decrease) of accounts payable to suppliers, contractors and other creditors | | 7 414 489 | (3 843 529) |
| ***Gross cash flows from operating activities*** | | ***5 294 841*** | ***5 706 151*** |
| Interest paid | | (131 857) | (104 368) |
| Refunded/(paid) corporate income tax | | 15 692 | 61 168 |
| **Net cash flows from operating activities** | | **5 178 676** | **5 662 951** |
| **Cash flows from investing activities** | | | |
| Acquisition of shares in related, associated or other companies | 10,11 | (1 884 824) | (2 800) |
| Purchase of fixed and intangible assets | | (7 500 689) | (4 156 446) |
| Income from disposal of fixed and intangible assets | | 50 576 | 477 864 |
| Loans issued | | (5 913 272) | (1 888 800) |
| Loans repaid | | 4 283 563 | 150 000 |
| Interest received | | 90 176 | 30 834 |
| **Net cash flows generated from investing activities** | | **(10 874 470)** | **(5 389 348)** |
| **Cash flows from financing activities** | | | |
| Income from issue of shares and bonds or equity investments | 17 | 7 226 272 | - |
| Loans received | | 3 000 000 | 2 101 218 |
| Loans repaid | | (1 870 949) | (1 419 915) |
| Payments for leased fixed assets | | (371 031) | (298 855) |
| **Net cash flows from financing activities** | | **7 984 292** | **382 448** |
| **Net cash flows for the reporting year** | | **2 288 498** | **656 051** |
| Cash and cash equivalents at the beginning of the year | | 3 508 894 | 2 852 843 |
| | | - | - |
| **Cash and cash equivalents at the end of the year** | 16 | **5 797 392** | **3 508 894** |

The accompanying notes on pages 12 to 29 are an integral part of these financial statements.

Riga, 6 April 2022

| | | |
|---|---|---|
| Jānis Vība<br>Chairman of the Board | Linda Prūse<br>Member of the Board | Vita Čirjevska<br>Member of the Board |
| | | Jeļena Laurinaviča<br>Chief Accountant |

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## Statement of changes to the shareholders' equity

| | Note | **Share capital** | **Share premium** | **Long-term investment revaluation reserve** | **Reserves** | **Retained earnings** | **Total** |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | **910 560** | **-** | **18 025 313** | **25 731** | **7 784 564** | **26 746 168** |
| Investment in share capital | | 5 767 300 | | | | | 5 767 300 |
| Increase/(decrease) in the long-term investment revaluation reserve | 18 | - | | (667 487) | - | - | (667 487) |
| Dividend payment | | - | | - | - | - | - |
| Profit for the reporting year | | - | | - | - | 4 301 165 | 4 301 165 |
| **As at 31 December 2020** | | **6 677 860** | **-** | **17 357 826** | **25 731** | **12 085 729** | **36 147 146** |
| Investment in share capital | 17 | 867 745 | 6 358 527 | - | - | - | 7 226 272 |
| Increase/(decrease) in the long-term investment revaluation reserve | 18 | - | | (1 015 724) | - | - | (1 015 724) |
| Profit of the reporting year | | - | | - | - | 5 410 170 | 5 410 170 |
| **As at 31 December 2021** | | **7 545 605** | **6 358 527** | **16 342 102** | **25 731** | **17 495 899** | **47 767 864** |

The accompanying notes on pages 12 to 29 are an integral part of these financial statements.

Riga, 6 April 2022

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

Jeļena Laurinaviča
Chief Accountant

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# Notes to the financial statements

## *1. Information on the Company's activities and summary of significant accounting principles*

### General information on the Company

AS Virši-A (hereinafter "the Company") was registered with the Enterprise Register of Latvia on 6 January 1995. The legal address is Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads. The Company's shareholders are natural persons, residents of Latvia.

The Company is engaged primarily in retail and whole sales of oil products, and retail sales of goods.

The Company's financial statements for 2021 were approved by the decision made by the Board of the Group on 6 April 2022.

### Summary of accounting principles used

### *Basis of preparation*

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law'.

The financial statements were prepared on the going concern basis. The currency unit used in the financial statements is Euro (EUR). The financial statements cover the period from 1 January 2021 to 31 December 2021.

The profit and loss statement was prepared according to the cost function.

The cash flow statement was prepared using the indirect method.

Consistent valuation principles were used with those used in the previous year.

Items were valued in accordance with the principle of prudence:

- the financial statements reflect only the profit generated to the balance sheet date;
- all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
- all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- The financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis, investments in the subsidiary in 2020 were made based on the value of the shares contributed, investments are disclosed at fair value.

Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. expenses were matched with revenue for the reporting period.

Assets and liabilities were valued separately.

Certain balances for 2021 have been classified differently from the prior year, due to changes in legislation and management judgment. There is no impact on the financial result from this change in classification. Prior year balances have been reclassified, where appropriate, to conform to current year presentation. The opening balances agree with the prior year closing balances.

All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.

Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

# Notes to the financial statements

### Summary of accounting principles used (continued)

#### *Related parties*

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has a significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member):
iii. Both entities are joint ventures of the same third party:
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

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

#### *Financial instruments and financial risks*

A financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.

The key financial instruments held by the Company are financial assets such as trade receivables, other receivables, loans and financial liabilities such as loans, lease liabilities, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequently, they are measured at amortized cost using the effective interest rate. Profit and loss is recognised in the profit or loss statement upon derecognition or impairment of , these assets as well as during the amortisation process.

#### *Use of derivatives*

In addition to the above risk management policies, the Group uses derivatives to hedge financial risks.
Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Company to other parties to the transaction.

The Company uses derivatives such as commodity and currency futures and other derivatives which are initially disclosed at cost and at fair value. Fair value is determined with reference to market prices. All derivatives are recognized as assets if their fair value is positive and liabilities if their fair value is negative.

#### *Fair value 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.

Financial assets and financial liabilities are carried at cost which according to management approximates their fair value at acquisition plus any related additional expenses.

# Notes to the financial statements

## Summary of accounting principles used (continued)

### *Use of estimates*

In the preparation of these financial statements, management has relied on certain estimates and assumptions that impact certain items of the balance sheet and the profit and loss statement, as well as the amount of potential liabilities. Future events may impact the assumptions used as the basis for estimates. Any impact from changes in the estimates is reflected in the financial statements as determined. Significant estimates in the financial statements are connected with revaluation to fair value of the PPE item 'Land, buildings and engineering structures'.

### *Financial risks connected with the Company's financial instruments, financial risk management*

Credit risk is the risk that the Company may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables and investment securities;

Interest rate risk – risk that the Company may incur losses due to fluctuations in interest rates;

Liquidity risk- risk that the Company will not be able to meet its financial liabilities as they fall due.

Currency risk – risk that the Company may suffer unexpected losses arising from fluctuations in the foreign exchange rates;

Management has implemented the following procedures to control key (or significant) risks.

### *Credit risk*

For the purposes of credit risk management, the Company's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such sales. Management has developed a credit policy which includes regular control procedures over debtors to ensure identification of problems on a timely basis.

### *Interest rate risk*

In order to manage the interest rate risk, the Company's management primarily signs loan agreement with fixed interest rates.

### *Liquidity risk*

Liquidity risk is managed by the Company in line with the principle of prudence ensuring that appropriate credit resources are available in the form of a credit line facility to cover liabilities as they fall due.

### *Currency risk and revaluation*

The functional and reporting currency of the Company is Euro (EUR), the national currency of the European Union. All transactions in foreign currencies are revalued to Euro in accordance with the reference exchange rate published by the European Central Bank on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to Euro in accordance with the reference exchange rate published by the European Central Bank on the last day of the reporting year. Differences arising on payments in currencies or disclosures of assets and liabilities using exchange rates other than those used for initial booking of transactions are recognized in the profit or loss statement at net amount.

### *Investments*

### *Investment in the subsidiary*

Investments in the subsidiary are initially recognized at cost. If the value of such investments at the balance sheet date is lower than the acquisition cost or valuation in the previous year's balance sheet, and such decrease is expected to be permanent, investments are recognized at the lower value. In 2020, the shareholders made an equity contribution to the Company. The equity of invested subsidiaries is carried at fair value according to the value of shares. The amount of the investment is subsequently treated as initial cost.

### *Intangible assets*

Intangible assets are carried at cost amortized over the useful life of the asset on a straight line basis. Should any events or changes in circumstances indicate that the book value of intangible assets is no longer recoverable the respective intangible assets are reviewed for impairment. An impairment loss is recognized when the book value of an intangible asset exceeds its recoverable amount.

# Notes to the financial statements

## Summary of accounting principles used (continued)

### *Fixed assets*

**(i) Useful lives**

Fixed assets are carried at historical cost except for land and buildings that are recognized at revalued value, less accumulated depreciation and impairment. No depreciation is calculated for land. Depreciation is calculated on a straight line basis over the useful life of the asset:

| | |
|---|---|
| Buildings and engineering structures | - 20 - 40 years |
| Equipment and machinery | - 5 - 20 years |
| Other fixed assets | - 2 - 7 years |

Depreciation is calculated from the month following the month of putting the asset into use or involvement of it in operating activities. Depreciation should be calculated separately for each component of fixed assets the cost of which is material in comparison with the total cost of the respective asset. If certain components of an item of fixed assets are depreciated on an individual basis, other components of that same asset item are also depreciated on an individual basis. The remainder represents components that are not material individually. Depreciation of the remaining components is calculated using approximation methods to make proper disclosures of the useful life.
The change of the depreciation method is considered a change of an accounting estimate which a medium and large company is required to disclose in the notes to the financial statements.

Should any events or changes in circumstances indicate that the carrying amount of fixed assets is no longer recoverable the respective assets are reviewed for impairment. In the presence of non-recoverability indications and when the carrying amount of an asset exceeds its recoverable amount, the asset or its cash-generating unit is written down to its recoverable amount. The recoverable amount of fixed assets is the greater of net sales value and value in use. The value in use is estimated by discounting estimated future cash flows at present value using a pre-tax discount rate which reflects the present market forecasts with respect to the changes in the value of the asset and risks associated with it. The recoverable amounts of assets that do not generate independent cash flows are determined for the cash generating unit to which the asset belongs. Impairment loss is recognised in the profit and loss statement as cost of goods sold.

Items of fixed assets are derecognized in case of disposal or when future benefits are no longer expected from the use of the respective asset. Any profit or loss arising on derecognition of an item of fixed assets (calculated as the difference between net income from disposal and book value) is recognized in the profit and loss statement of the period of de-recognition.

The cost of leasehold improvements is capitalized and reflected under fixed assets.Depreciation of these assets is calculated over the entire period of lease on a straight line basis.
Construction in progress reflects the costs of building items of fixed assets and work in progress and is disclosed at cost. The cost includes the cost of construction and other direct expenses. Construction in progress is not subject to depreciation until the respective assets are completed and put into operation.

**(ii) Fair value of fixed assets**
Land, buildings and constructions are measured by the Company using the revaluation model. In case the carrying amount of items of fixed assets at the reporting date is lower than the valuation in the balance sheet, and such impairment is expected to be permanent, assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except if a previously recognized increase in the value of assets is set off against an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

In case the value of assets at the balance sheet date is higher than the valuation on the balance sheet, the assets are revalued to the higher value if the increase in value may be assumed to be other than temporary. The increase of value resulting from revaluation is recognized under “Long term investment revaluation reserve”. If an increase in the value resulting from revaluation compensates for the impairment of the same asset which was previously recognized as an expense in the profit or loss statement, then the increase resulting from revaluation is recognized as income in the profit or loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable.

The increase included in the long term investment revaluation reserve under equity is decreased by recognising this decrease in the profit and loss statement accordingly:

# Notes to the financial statements

## Summary of accounting principles used (continued)

gradually over the entire lifetime of the revalued asset, each reporting period writing down from reserves an amount equal to the difference between the depreciation, calculated based on the revalued value of the asset, and depreciation calculated based on the cost of the asset.

As at 30 September 2019 certain categories of fixed assets were revalued to fair value. The revaluation was performed for Land, buildings and engineering structures (see Note 9).

### *Inventories*

Inventories are stated at the lower of cost or net realizable value.

Expenses incurred to deliver inventories to their current location and condition are recognized in the following way:

- raw materials are recognized at purchase cost in line with the FIFO method;

- finished goods and work in progress are carried at direct cost of materials and labour plus production overheads based on the nominal production capacity of equipment net of borrowing costs.

Net realizable value represents the estimated sales price in the ordinary course of business less estimated cost to complete and sell the goods. Net realizable value is reflected as cost less allowances.

### *Trade and other receivables*

Trade receivables are booked and disclosed on the balance sheet based upon initial invoices less allowances for doubtful debts. A doubtful debt allowance is estimated when the recovery of the full amount is no longer reasonable. Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable. Receivables are written off when recovery is deemed impossible.

### *Cash and cash equivalents*

Cash and cash equivalents represent cash in bank accounts and on hand, cash in transit and short-term deposits with initial maturity of up to 3 months.

### *Loans and borrowings*

Loans and borrowings are initially disclosed at cost which is calculated as the fair value of loans and borrowings plus or minus costs connected with issuing or receiving the loan.

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

Gains and losses resulting from amortization are recognised in the profit and loss statement as interest income/ expense.

### *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required from the Company to settle the obligation, and the amount of obligation can be measured reasonably. If the Company foresees that the expenses required for recognizing an allowance will be partly or fully repaid, for example, within an insurance contract, the recovery of such expenses is recognized as a separate asset only when it is certain that such expenses will be recovered. Expenses connected with any allowances are recognized in the profit and loss statement less recovered amounts.

### *Contingent liabilities and assets*

Contingent liabilities are not recognised in these financial statements.Contingent liabilities are recognized as liabilities only when there is reasonable likelihood that an outflow of funds will be required. Contingent assets are recognized in these financial statements to the extent that there is reasonable likelihood that the Company will receive an inflow of economic benefits related to the transaction.

### *Lease*

Finance lease transactions under which the Company assumes substantially all the risks and rewards of ownership of the lease object are recognized in the balance sheet as fixed assets at an amount that represents the fair value of the leased object at inception or at the present value of the minimum lease payments if the fair value is lower. Finance lease payments are allocated between finance costs and reduction of liabilities in order to ensure consistent interest rate on the balance of liabilities in each period. Finance costs are disclosed in the profit and loss statement as interest expenses.

# Notes to the financial statements

## Summary of accounting principles used (continued)

When there is reason to believe that at the end of the lease term the object will become the property of the lessee the useful life of the asset is set as the expected period of use. In all other cases depreciation of capitalized leased assets is calculated on a straight line basis over the short of the estimated period of use or period of lease.

Asset leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.Payments made under operating lease contract are recognized as expenses on a straight–line basis over the lease term.The Company's liabilities arising from operating lease transactions are disclosed as contingent liabilities.

### *Revenue recognition*

Revenue is recognized based on the likelihood of gaining economic benefit and to the extent it is reasonably measurable, less value added tax and discounts on sales.Revenue is recognized also based on the following conditions:

*Sales of goods*

Revenue is recognized when the Company has transferred the significant risks and rewards of ownership of the goods to the client.

*Provision of services*

The Company mostly provides fuel transport services to its customers. Revenue from services is recognized in the period when services are provided.

### *Long-term and short-term classification*

Amounts whose terms of receipt, payment or write off are due in more than one year after the reporting date are classified as long term. Amounts to be received, paid or written off within 12 months are classified as short-term.

### *Corporate income tax*

Effective from 2018, corporate income tax is not calculated on profit for the reporting year but upon distribution of dividends or conditional distribution of profit. The tax rate is 20% of gross distributions or 20/80 of net amounts distributed. Under the Corporate Income Tax Law there are transitional provisions, including:

- profit generated to 31 December 2018 will not be subject to additional tax of 20% upon distribution (with some limitations);

- accumulated tax losses will be usable during the course of five years and to the extent of not more than 50% of the tax calculated upon dividend distribution in the year.

### *Subsequent events*

The financial statements reflect events that occurred subsequent to the year-end and that provide additional information on the Company's financial position at the balance sheet date (adjusting events). If subsequent events do not have an adjusting nature, they are disclosed in the notes to the financial statements only if they are significant.

Subsequent events are described in Note 29.

# Notes to the financial statements

## 2. Net sales from other types of operations

| ***By type of operating activity*** | | 2021 | 2020 |
|---|---|---|---|
| Sale of oil products | | 185 194 011 | 143 103 745 |
| Sale of other goods | | 33 153 816 | 26 007 521 |
| Other income | | 2 308 224 | 2 311 525 |
| | **TOTAL:** | **220 656 051** | **171 422 791** |

| ***By geographic market*** | | 2021 | 2020 |
|---|---|---|---|
| Latvia | | 219 560 922 | 170 203 761 |
| Other | | 1 095 129 | 1 219 030 |
| | **TOTAL:** | **220 656 051** | **171 422 791** |

## 3. Cost of sales

| | | 2021 | 2020 |
|---|---|---|---|
| Cost of oil products and goods | | 193 169 942 | 147 910 212 |
| Depreciation and amortisation | | 95 671 | 87 803 |
| Reduction in the revaluation reserve | | (52 713) | (52 713) |
| Personnel expenses | | 124 218 | 92 282 |
| Cost of lease of real estate property and other costs | | 4 423 | 4 602 |
| Maintenance and repairs | | 39 318 | 34 048 |
| Transport | | 71 897 | 42 554 |
| Other expenses | | 1 303 623 | 1 562 253 |
| | **TOTAL:** | **194 756 379** | **149 681 041** |

## 4. Selling expenses

| | | 2021 | 2020 |
|---|---|---|---|
| Personnel expenses | | 8 558 331 | 7 573 799 |
| Depreciation and amortisation | | 2 470 979 | 2 261 493 |
| Reduction in the revaluation reserve | | (422 921) | (432 761) |
| Cost of lease of real estate property and other costs | | 1 889 974 | 1 644 755 |
| Maintenance and repairs | | 2 187 780 | 1 775 928 |
| Marketing expenses | | 634 370 | 586 187 |
| Transport | | 1 963 786 | 880 310 |
| Other expenses | | 1 000 672 | 818 748 |
| | **TOTAL:** | **18 282 971** | **15 108 459** |

# Notes to the financial statements

## 5. Administrative expenses

| | | 2021 | 2020 |
|---|---|---|---|
| Personnel expenses | | 1 274 631 | 1 247 914 |
| Depreciation and amortisation | | 140 498 | 131 799 |
| Reduction in the revaluation reserve | | (529) | (534) |
| Cost of lease of real estate property and other costs | | 31 476 | 33 757 |
| Maintenance and repairs of office | | 36 078 | 39 916 |
| Transport | | 115 830 | 97 892 |
| Professional services * | | 308 803 | 179 643 |
| Other expenses | | 95 894 | 96 056 |
| | **TOTAL:** | **2 002 681** | **1 826 443** |

* including total remuneration paid to certified auditors:

| | | 2021 | 2020 |
|---|---|---|---|
| AS KPMG Baltics for audit of financial statements | | 56 500 | 40 000 |
| SIA Deloitte Latvia for other expert engagements | | 18 750 | 36 300 |
| SIA Potapoviča un Andersone for other expert engagements | | - | 9 000 |
| AS KPMG Baltics for other expert engagements | | 8 500 | 7 700 |
| | **TOTAL:** | **83 750** | **93 000** |

## 6. Other operating income

| | | 2021 | 2020 |
|---|---|---|---|
| Gain on currency exchange fluctuations, net | | 9 361 | - |
| Income from an insurance compensation received | | 84 794 | 13 276 |
| Recovery of written-off/doubtful receivables | | 21 596 | 152 245 |
| Other operating income | | 17 064 | 24 669 |
| | **TOTAL:** | **132 815** | **190 190** |

# Notes to the financial statements

## 7. Other operating expenses

| | 2021 | 2020 |
|---|---|---|
| Loss from sales of fixed assets, net, incl: | 6 367 | 72 090 |
| *Revenue from sales of fixed assets* | (50 576) | *(477 864)* |
| *Non-amortised value of disposed fixed assets* | 56 943 | *549 954* |
| Changes in doubtful debt allowances | 23 808 | 256 271 |
| Written off bad debts | 49 194 | - |
| Staff sustainability measures | 77 214 | 144 093 |
| Loss on currency exchange fluctuations, net | - | 10 836 |
| Donations | 21 080 | 1 000 |
| Bank charges | 28 234 | 15 290 |
| Other operating expenses | 70 180 | 122 759 |
| **TOTAL:** | **276 077** | **622 339** |

## 8. Intangible assets

| | Concessions, patents, licenses, trademarks and similar rights | Other intangible assets | Intangible assets | **TOTAL** |
|---|---|---|---|---|
| **Historical cost** | | | | |
| **As at 31 December 2020** | **121 359** | **362 152** | - | **483 511** |
| **Historical cost** | | | | |
| **As at 31 December 2020** | **121 359** | **362 152** | - | **483 511** |
| Additions | 11 090 | 84 573 | 7 264 | 102 927 |
| Elimination of historical cost | (11 704) | - | - | (11 704) |
| Reclassifications | - | 7 264 | (7 264) | - |
| **As at 31 December 2021** | **120 745** | **453 989** | **-** | **574 734** |
| **Accumulated amortization** | | | | |
| **As at 31 December 2020** | **32 319** | **308 658** | - | **340 977** |
| Calculated amortization | 26 077 | 65 024 | - | 91 101 |
| Amortization of disposed assets | (11 704) | - | - | (11 704) |
| **As at 31 December 2021** | **46 692** | **373 682** | **-** | **420 374** |
| **Carrying amount** | | | | |
| **As at 31 December 2020** | 89 040 | 53 494 | - | 142 534 |
| **As at 31 December 2021** | **74 053** | **80 307** | **-** | **154 360** |

## Notes to the financial statements

### 9. Fixed assets

| | Land, buildings and engineering structures | Leasehold improvements | Equipment and machinery | Other fixed assets | Construction in progress | Prepayments for fixed assets | TOTAL |
|---|---|---|---|---|---|---|---|
| **Historical cost** | | | | | | | |
| **As at 31 December 2020** | **32 711 486** | **1 293 907** | **8 840 168** | **4 840 890** | **100 885** | **53 263** | **47 840 599** |
| Additions | 2 962 617 | 198 449 | 436 194 | 1 300 408 | 2 475 191 | 54 403 | 7 427 262 |
| Reclassifications | 1 760 603 | 126 846 | 150 881 | 328 181 | (2 366 511) | - | - |
| Impairment | (539 561) | - | | | - | - | (539 561) |
| Cost of disposed fixed assets | - | - | (1 620 108) | (209 454) | - | - | (1 829 562) |
| **As at 31 December 2021** | **36 895 145** | **1 619 202** | **7 807 135** | **6 260 025** | **209 565** | **107 666** | **52 898 738** |
| **Accumulated depreciation and impairment** | | | | | | | |
| **As at 31 December 2020** | **5 032 982** | **379 164** | **4 055 578** | **2 413 063** | **-** | **-** | **11 880 787** |
| Depreciation, depreciation of the revalued part* | 827 309 | 135 846 | 680 668 | 972 224 | - | - | 2 616 047 |
| Accumulated depreciation of disposed fixed assets | (516) | - | (949 552) | (184 257) | - | - | (1 134 325) |
| **As at 31 December 2021** | **5 859 775** | **515 010** | **3 786 694** | **3 201 030** | **-** | **-** | **13 362 509** |
| **Carrying amount** | | | | | | | |
| As at 31 December 2020 | 27 678 504 | 914 743 | 4 784 590 | 2 427 827 | 100 885 | 53 263 | 35 959 812 |
| **As at 31 December 2021** | **31 035 370** | **1 104 192** | **4 020 441** | **3 058 995** | **209 565** | **107 666** | **39 536 229** |

On 30 December 2019 the Company revalued fixed assets under category Land, buildings and engineering structures to fair value. The result of revaluation (appreciation) was recorded in the accounting records of the Company on 30 December 2019. The revaluation was performed by certified real estate appraiser SIA Arco Real Estate. The valuation was based on the income and cost approach. Had revaluation been made the carrying amount of the category as at 31 December 2021 would have been EUR 14 693 268 (31 December 2020 – EUR 10 320 678). According to management estimates fair value at the end of 2021 did not materially differ from the carrying amount.

*On 30 June 2021 the Company recognized impairment of two properties due to the decrease in operations in two gasoline stations as a result of COVID-19 pandemic.The Company applied the value in use calculation with key assumptions being that revenue will remain flat over the next five years, and the WACC rate would be between 14.5% and 18.5%. As a result impairment of EUR 539 561 was identified and the related revaluation surplus decreased by the same amount with no impact on profit or loss.

#### *Cadastre value of real estate properties*

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Buildings and constructions | 1 019 757 | 946 708 |
| Land plots | 1 262 573 | 1 072 125 |
| **TOTAL:** | **2 282 330** | **2 018 833** |

# Notes to the financial statements

### Fixed assets (continued)

#### *Fully depreciated fixed assets*

There are a number of fully depreciated fixed assets that are still used in operating activities. The total cost of such fixed assets at the year-end was EUR 2 494 801 (2020: EUR 2 568 708).

#### *Carrying amount of assets acquired under finance lease*

Assets acquired under finance lease have the following carrying amounts:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equipment and machinery | 190 456 | 663 672 |
| **TOTAL:** | **190 456** | **663 672** |

Fixed assets acquired on finance lease during 2021 amount to EUR 190 456 (2020: EUR 663 672). Please refer to Note 25.

#### *Depreciation*

Total depreciation charge is included in the following items of the profit and loss statement:

| | 2021 | 2020 |
|---|---|---|
| Cost of sales | 95 671 | 87 803 |
| Selling expenses | 2 470 979 | 2 261 493 |
| Administrative expenses | 140 498 | 131 799 |
| **TOTAL:** | **2 707 148** | **2 481 095** |

#### *Pledges and other encumbrances on titles*

Under agreements signed with Latvian commercial banks and related mortgage and pledge agreements the Company has mortgaged certain real estate properties owned by it to secure performance of liabilities (see Note 19).

### 10. Investment in subsidiaries

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Balance as at 1 January | 5 770 100 | - |
| Investment | 677 460 | - |
| Acquisitions | - | 5 770 100 |
| **Balance as at 31 December:** | **6 447 560** | **5 770 100** |

| Name of company | Number of shares held as at 31.12.2021 | Historical cost | Carrying amount of investment as at 31.12.2021. | Equity of the related company as at 31.12.2021. | Profit of the related company in the reporting year |
|---|---|---|---|---|---|
| | % | EUR | EUR | EUR | EUR |
| SIA Virši Renergy | 100 | 352 800 | 352 800 | 349 724 | (1 110) |
| SIA Viršu nekustamie īpašumi | 100 | 5 522 300 | 5 522 300 | 6 728 191 | 970 828 |
| SIA Virši loģistika | 100 | 572 460 | 572 460 | 634 905 | 60 652 |
| | | **6 447 560** | **6 447 560** | **7 712 820** | **1 030 370** |

During 2020 the Company acquired subsidiary SIA Viršu nekustamie īpašumi and SIA Virši loģistika by way of reorganisation with a capital contribution of EUR 5 767 300. In January 2021, the Company contributed into the share capital of SIA Virši loģistika the entire logistics business unit including fixed assets, employees, and other related assets and liabilities of EUR 327 460. In 2021, additional EUR 350 000 were contributed into the share capital of SIA Virši Renergy.

In the reporting year, subsidiaries did not pay dividends.

# Notes to the financial statements

## 11. Investment in associated companies

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Balance as at 1 January | - | - |
| Acquisitions | 1 534 824 | - |
| **Balance as at 31 December:** | **1 534 824** | **-** |

| Name of company | Number of shares held as at 31.12.2021 | Historical cost | Carrying amount of investment as at 31.12.2021. | Equity of the associated company as at 31.12.2021. | Profit of the associated company in the reporting year |
|---|---|---|---|---|---|
| | % | EUR | EUR | EUR | EUR |
| SIA GasOn | 30 | 1 534 824 | 1 534 824 | 1 270 465 | (463 525) |
| | | **1 534 824** | **1 534 824** | **1 270 465** | **(463 525)** |

At the end of 2021, AS Virši-A invested EUR 1.5 million in SIA GasOn seeking to promote the use of CNG in Latvia and mobile supplies of natural gas.

## 12. Inventories

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Auxiliary materials | 449 187 | 104 342 |
| Fuel | 8 993 977 | 3 136 472 |
| Other goods | 1 932 383 | 2 124 002 |
| **TOTAL:** | **11 375 547** | **5 364 816** |

## 13. Trade receivables

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Trade receivables | 12 946 407 | 9 376 997 |
| Doubtful debt allowance | (457 605) | (433 798) |
| **TOTAL:** | **12 488 802** | **8 943 199** |

## 14. Other receivables

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Overpaid taxes* | 150 | 17 890 |
| Security deposit | 230 464 | 40 377 |
| Other receivables | 54 541 | 56 197 |
| **TOTAL:** | **285 155** | **114 464** |

* Overpaid taxes (See Note 23).

# Notes to the financial statements

## 15. Loans to related parties

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Outstanding as at 1 January | 2 532 225 | 793 425 |
| Balance as at 1 January | 2 532 225 | 793 425 |
| Loans issued | 5 634 872 | 1 888 800 |
| Repayments | (4 283 563) | (150 000) |
| Outstanding as at 31 December | 3 883 534 | 2 532 225 |
| Balance as at 31 December | **3 883 534** | **2 532 225** |

In 2020, an agreement was signed on a loan of EUR 10 000 to subsidiary SIA Virši Renergy. The loan matures on 31 December 2022, and the annual interest rate is 2%. The outstanding part of the loan as at 31 December 2021 amounts to EUR 10 000 (31.12.2020: EUR 3 000). The loan agreement does not provide a collateral.

In 2021, an agreement was signed on a loan of EUR 8 500 000 to subsidiary SIA Viršu nekustamie īpašumi. The loan matures on 31 December 2022, and the annual interest rate is 2%. The outstanding part of the loan as at 31 December 2021 amounts to EUR 3 738 662 (31.12.2020: 2 529 225). The loan agreement does not provide a collateral.

In 2021, an agreement was signed on a loan of EUR 204 872 to subsidiary SIA Virši loģistika. The loan matures on 31 December 2022, and the annual interest rate is 2%. The outstanding part of the loan as at 31 December 2021 amounts to EUR 134 872. The loan agreement does not provide a collateral.

## 16. Cash and cash equivalents

| | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Cash in bank and on hand | | 5 149 110 | 3 097 106 |
| Money in transit | | 648 282 | 411 788 |
| | **TOTAL:** | **5 797 392** | **3 508 894** |

## 17. Share capital

Share capital in 2021 is EUR 7 545 605 (2020: EUR 6 677 860) and it is comprised of 15 091 209 shares (2020: 47 699). Nominal value per share is EUR 0.50 (2020: EUR 140). All shares are fully paid up.

During 2020 and 2021, reorganisation was carried out in AS Virši-A and its group companies. In 2020, the Company received a capital contribution in the way of shares of two related parties SIA Viršu nekustamie īpašumi and SIA Virši loģistika. The shareholders invested 100% shares of subsidiaries at fair value (refer to Note 10 10 The investment was valued by external valuers and their valuation laid the basis for recognising the cost of acquisition.

No dividends were distributed in the reporting period from retained earnings of previous periods.

***Denomination, issue and IPO of shares***

In 2021, prior to the IPO the Company denominated shares by changing their nominal value from EUR 140 to EUR 0.50 per share. As a result of this exercise, the number of shares increased to 13 355 720, without changing the total amount of share capital.

After assessing the Company's development outlook and historical performance the shareholders decided to launch the initial public offering (IPO), which resulted in the issue of shares of 1 735 489. The IPO helped the Company attract new capital of EUR 7 792 346. The share premium is EUR 3.99. Net of the cost to raise equity of EUR 566 074 the resultant total effect of the IPO on equity was an increase of EUR 7 226 272.

# Notes to the financial statements

## 18. Long-term investment revaluation reserve

The long term investment revaluation reserve includes the fixed asset revaluation amounts (Note 9).

| | Balance | | Change | |
|---|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 2021 | 2020 |
| **Long-term investment revaluation reserve** | **16 342 102** | **17 357 826** | **(1 015 724)** | **(667 487)** |

| | 2021 | 2020 |
|---|---|---|
| Release of revaluation reserve upon revaluation | (539 561) | - |
| Reduction in the revaluation reserve (depreciation) | (476 163) | (486 008) |
| Revaluation reserve of disposed fixed assets | - | (181 479) |
| **TOTAL:** | **(1 015 724)** | **(667 487)** |

## 19. Loans from credit institutions

| ***Long term:*** | | *Maturity date* | 31.12.2021 | 31.12.2020 |
|---|---|---|---|---|
| Loans from Latvian commercial banks | EUR | 22.10.2026. | 5 473 629 | 3 664 782 |
| Finance lease liabilities | EUR | 25.05.2026. | 61 802 | 301 536 |
| **TOTAL long term loans from credit institutions:** | | | **5 535 431** | **3 966 318** |

| ***Short term:*** | | *Maturity date* | 31.12.2021 | 31.12.2020 |
|---|---|---|---|---|
| Loans from Latvian commercial banks | EUR | 22.10.2026 | 1 191 153 | 1 015 822 |
| Finance lease liabilities | EUR | 25.05.2026. | 142 871 | 244 668 |
| **TOTAL short term loans from credit institutions:** | | | **1 334 024** | **1 260 490** |
| **TOTAL loans from credit institutions:** | | | **6 869 455** | **5 226 808** |

Credit line outstanding as at the reporting date

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Maturing within one year | 2 000 000 | 2 000 000 |
| **TOTAL:** | **2 000 000** | **2 000 000** |

Loans from credit institutions carry base rates and a floating 3M EURIBOR or 6M EURIBOR rate, and the Company pays a reservation fee for the credit line facility. The interest rates and the reservation fee are set at arm's length.

During 2021, a loan of EUR 3 000 000 was obtained.

Loan agreements are in force from 20 March 2020 and 22 October 2021, respectively, and to 18 March 2025 and 22 October 2026, respectively.

The credit line agreement is in effect from 9 October 2002 to 29 December 2023.

Loans from credit institutions are secured by mortgages on real estate properties registered in the name of lender banks.

Net carrying amount of real estate mortgages at the reporting date is EUR 18 322 512 (2020: EUR 15 546 111).

# Notes to the financial statements

## 20. Other loans

| ***Long term:*** | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Interest-free, unsecured loan from the shareholders | | 5 532 616 | 6 847 743 |
| | **TOTAL other long-term loans:** | **5 532 616** | **6 847 743** |

| ***Short term:*** | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Interest-free, unsecured loan from the shareholders | | 700 000 | 240 000 |
| | **Total other short-term loans:** | **700 000** | **240 000** |
| | **Total other loans:** | **6 232 616** | **7 087 743** |

## 21. Other liabilities

| | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Remuneration | | 492 658 | 432 463 |
| Other creditors | | 3 872 | 2 116 |
| | **TOTAL:** | **496 530** | **434 579** |

## 22. Accrued liabilities

| | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Accrued unused vacation expenses | | 485 543 | 507 179 |
| Other accrued liabilities related to operating costs | | 1 132 297 | 723 412 |
| | **TOTAL:** | **1 617 840** | **1 230 591** |

## 23. Taxes and social contributions

| | 31.12.2021 | Calculated | Paid in | 31.12.2020 |
|---|---|---|---|---|
| Social security contributions | 226 934 | 2 704 896 | (2 700 699) | 222 737 |
| Personal income tax | 103 311 | 1 207 390 | (1 196 887) | 92 808 |
| Excise tax | 2 658 398 | 34 810 078 | (34 709 946) | 2 558 266 |
| Corporate income tax | 18 907 | 18 907 | 15 692 | (15 692) |
| Value added tax | 341 178 | 10 979 272 | (11 148 219) | 510 125 |
| Natural resources tax | 715 | 1 908 | (1 979) | 786 |
| Real estate tax | (150) | 39 171 | (37 123) | (2 198) |
| Company car tax | 48 | 13 195 | (13 342) | 195 |
| **TOTAL:** | **3 349 341** | **49 774 817** | **(49 792 503)** | **3 367 027** |
| **TOTAL LIABILITIES:** | **3 349 491** | | | **3 384 917** |
| **TOTAL RECEIVABLES*:** | **(150)** | | | **(17 890)** |

Overpaid taxes are disclosed under other receivables (see Note 14).

# Notes to the financial statements

## 24. Personnel costs and number of staff

| | 2021 | 2020 |
|---|---|---|
| Remuneration | 8 051 774 | 7 133 343 |
| Social security contributions | 1 887 801 | 1 714 583 |
| Other personnel cost | 17 605 | 66 069 |
| **TOTAL:** | **9 957 180** | **8 913 995** |

***Including remuneration to key management***

| | 2021 | 2020 |
|---|---|---|
| **Members of the Board and Council** | | |
| Remuneration | 355 530 | 308 885 |
| Social security contributions | 83 751 | 74 410 |
| **TOTAL:** | **439 281** | **383 295** |

Average number of staff in the reporting year:

| | 2021 | 2020 |
|---|---|---|
| Members of the Council | 6 | 3 |
| Members of the Board | 3 | 5 |
| Other staff | 610 | 573 |
| **TOTAL:** | **619** | **581** |

## 25. Finance lease liabilities

| | Maturity | Contract amount | Non-current portion | Current portion | Carrying amount of leased assets |
|---|---|---|---|---|---|
| Latvian commercial bank | 25.05.2026 | 204 673 | 61 802 | 142 871 | 190 456 |
| **Total as at 31.12.2021** | | | **61 802** | **142 871** | **190 456** |
| **Total as at 31.12.2020** | | | 301 536 | 244 668 | 663 672 |

Finance lease liabilities are carried at the base rate and the variable 3M EURIBOR rate. The interest rates are set at arm's length.

## 26. Financial commitments, guarantees or other contingencies

### (a) Operating lease liabilities

The Company has signed a number of property lease agreements as a lessee. Total effective annual lease payments in 2021 amounted to EUR 1 848 997 (in 2020: EUR 1 627 127). At the reporting date, the total estimated minimum lease payments under irrevocable operating lease contracts were:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Less than one year | 2 389 705 | 1 960 342 |
| 1 – 5 years | 7 837 305 | 7 042 324 |
| More than 5 years | 5 560 164 | 5 397 594 |
| **TOTAL:** | **15 787 174** | **14 400 260** |

# Notes to the financial statements

**(b) Legal claims**

The Company is not involved in litigation proceedings dealing with claims raised against AS Virši-A. The Company has raised claims against debtors to recover receivables and there are ongoing litigations. Appropriate allowances were recognised for doubtful debts. Any recoveries obtained from litigation are recognised as revenue as received.

## 27. Transactions with related and associated companies

The Company had transactions with related parties during the reporting year. The most significant transactions and amounts are the following:

| | | Amount of transaction | |
|---|---|---|---|
| Related party: | Description of transaction | 2021 | 2020 |
| Subsidiaries | Loans issued | 5 634 872 | 1 888 800 |
| Subsidiaries | Repayment of loans | (4 283 563) | (150 000) |
| Subsidiaries | Other expenses related to lease of real estate property | (11 872) | (23 067) |
| Subsidiaries | Purchase of natural gas | (242 824) | (180 422) |
| Subsidiaries | Purchase of electricity | (395 428) | - |
| Subsidiaries | Rent of real estate | (1 598 237) | (1 386 222) |
| Subsidiaries | Income from sales of goods | 437 193 | 5 249 |
| Subsidiaries | Fuel supply service | (1 760 122) | - |
| Subsidiaries | Revenue from management services | 15 120 | 7 680 |
| Subsidiaries | Interest income | 83 832 | 26 915 |
| Associated companies | Fuel intermediation services | (5 576 129) | (1 822 233) |
| Associated companies | Income from agent services | 55 797 | 18 320 |
| Shareholder of the company | Repayment of loans | (855 127) | (940 000) |

## 28. Profit distribution

The management suggests that dividends be paid in the amount of EUR 1 323 153 of net profit; it is planned to distribute EUR 1 058 522 or EUR 0.07014166 per share to shareholders as dividends and to pay corporate income tax of EUR 264 631. The remaining profit for 2021 should be retained undistributed and used for further development of the company.

## 29. Subsequent events

From 2020 and subsequent to the year end, the Republic of Latvia and many countries worldwide had restrictions in place to limit the spread of the coronavirus which notably slowed the economic development in the country and the world. As it is not possible to predict how the situation will unfold there is uncertainty with regard to the economic development. The management of the Company constantly evaluates the situation. At the date of these financial statements, the Company's financial ratios for 2022 are consistent with those planned in the budget for 2021 and the financial position is strong. The management believes the Company will be able to overcome the complications related to the spread of the corona virus with the help of the following measures: financial monitoring of all units and development and coordination of a crisis plan, timely planning of purchases of resources, and daily in-depth analysis of receivables risk.

On February 24, 2022, the Russian Federation started a military operation in Ukraine, which has resulted in war in Ukraine. Countries around the world support Ukraine by issuing financial and economic sanctions against Russia. The management of the Company has evaluated the existing clients, suppliers and business processes and found the situation to be stable for the company, but there is uncertainty related to further actions by the neighbouring Russian Federation and the extent and future impact of the sanctions. In light of the situation in Ukraine having arisen and the sanctions against Russia and Belarus imposed by the USA and the European Union - AS VIRŠI-A has suspended cooperation with Russian and Belarussian partners. Also AS VIRŠI-A informs that fuel partners - refineries in Lithuania and Finland - continue to diversify their crude oil sources to reduce their dependence on Russia. The supply of fuel to AS VIRŠI-A proceeds as scheduled and without interruption in accordance with effective supply agreements. According to management's initial estimates the impact on gross profit is not significant and therefore the health of the company's business model is not directly affected by the current situation.

This conclusion is based on the information available as at the date of these financial statements.

## Notes to the financial statements

Other than those described in the previous paragraph, no significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements or disclosures added within the financial statements.

Riga, 6 April 2022

| Jānis Vība<br>Chairman of the Board | Linda Prūse<br>Member of the Board | Vita Čirjevska<br>Member of the Board |
|---|---|---|

Jeļena Laurinaviča
Chief Accountant

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

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# Independent Auditors' Report

# To the shareholders of AS "Virši-A"

*Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of AS "Virši-A" the Company") set out on pages 7 to 29 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS "Virši-A" as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

*Basis for Opinion*

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

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

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

*Reporting on Other Information*

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 to 6 of the accompanying Annual Report.

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

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

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

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

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

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

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

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

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

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

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

*Auditors' Responsibility for the Audit of the Financial Statements*

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

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

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

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

KPMG Baltics SIA
Licence Nr. 55

*Rainers Vilāns*

Rainers Vilāns
Partneris pp. KPMG Baltics SIA
Zvērināts revidents
Sertifikāta Nr. 200
Rīga, Latvija

6 April 2022

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