AS Virši-A

(UNIFIED REGISTRATION NUMBER 40003242737)

ANNUAL REPORT FOR 2023

PREPARED IN ACCORDANCE WITH THE ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS LAW OF THE REPUBLIC OF LATVIA

AND INDEPENDENT AUDITORS' REPORT

Riga, 2024

Contents

General information

Name of the 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 Linda Prūse, Member of the Board Vita Čirjevska, Member of the Board
Members of the Council	Jānis Riekstiņš, Chairman of the Council Jānis Rušmanis, Deputy Chairman of the Council Ilgvars Zuzulis, Member of the Council Andris Priedītis, Member of the Council Ivars Blumbergs, Member of the Council Silva Skudra, Member of the Council
Information on subsidiaries	VIRŠI loģistika, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00% VIRŠI Renergy, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%
Information on associated companies	GasOn SIA Tallinas iela 17-4, Riga, Latvia, LV-1012 Holding: 30.00% Gulf petrolRe,SIA Brivibas iela 85 - 5, Riga, LV-1001 Holding: 30.00% Skulte LNG Terminal AS Dzirnavu iela 36, Riga, LV-1010 Holding: 19.23%, from 31 May 2022
Chief Accountant	Jeļena Laurinaviča
Auditors	KPMG Baltics SIA Roberta Hirsa iela 1 Riga, Latvia LV-1045 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 7 564 731 and consists of 15 129 460 shares. Nominal value per share is 0.50 EUR. All shares are fully paid up.

Activities during the reporting year

In order to achieve a performance that meets today's energy efficiency and customer service requirements, in 2023 the Company carried out significant improvements to three filling stations in Riga, located in Sarkandaugava and Satekles Street, as well as to the station in Zilani. During the reporting period, a new filling station was opened in Olaine, opposite to the existing branded station, and construction started on three new filling stations in Riga (Viskalu Street), Sigulda, and Salaspils. At the end of 2023, the Company announced its plan to open the first Virši branded station in Lithuania in 2024. As part of the targeted development of the network of filling stations, two new franchised stations in the Latgale region - in Preili and Krāslava, where the brand's services were not available before - joined the Virši brand network in the reporting period. In addition to the construction of new facilities, technical, interior and exterior improvements were carried out in Virši stations during the reporting period, and the Group is actively pursuing the development of new facilities in order to achieve its strategic objectives. At the end of 2023, the network of AS VIRŠI-A consisted of 73 filling stations. In 2023, the convenience store network of AS VIRŠI-A also started operations outside filling stations in two new concept outlets - Spice shopping centre and Virši convenience store on Tērbatas Street, Riga.
As part of its strategic development, the Company has assigned a key role to decarbonisation of transport or reducing the environmental impact of the transport sector. Since 2019, Virši has offered two types of alternative fuels in its network of filling stations: compressed natural gas or CNG (since 2019) and Virši EV charging (since 2022). During 2023, the EV charging network was significantly developed with support from the European Union's Alternative Fuels Infrastructure Facility. In 2023, the network of Virši has 9 filling stations offering CNG, and 14 offering EV charging.
During the reporting period, active work was carried out on the introduction of a smart phone app, which was offered to customers for use at the end of summer. The functionality of the app provides greater convenience for customers - the possibility to pay for fuel before filling up without entering the station's premises, to receive various loyalty programme benefits for cheaper purchases, as well as to combine the functionality of a bank payment card with that of a discount card. The app is also a handy tool for the business customer segment, as it can be used to add business customers' fuel cards and keep track of their billing history for refuelling, AdBlue, and window washer fluid on tap.

The Company's convenience stores contributed the largest share of gross profit in 2023, or 45.4%, or EUR 17.1 million, an increase of EUR 4.3 million and 33.2% compared to 2022, when the segment's share was 39.2%. The result was achieved by increasing turnover, profitability, offering customers a quality and diversified range of products and services, and diversifying sales channels. The second largest business segment in terms of gross margin in 2023 is the sale of fuel products. In the first 11 months of 2023, retail sales of fuel in Latvia grew by 1.5% in terms of tonnes of fuel sold, while the Group's business grew by 9.5%.The decrease in the markups in 2023 was related to the fierce competition on the Latvian retail fuel market.

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 2018, Virši-A was included in the register of participants in the Extended Cooperation Programme. In 2023, 2022, and 2021, the Company was a Gold Level Participant. In 2023, tax payments of more than EUR 61.6 million were made.

Shares of AS VIRŠI-A on Nasdaq Riga Alternative Market First North

Encouraged by the strong past and current performance, and an ambitious future development strategy, during the 2nd half of 2021 the shareholders and management implemented the Initial Public Offering of AS Virši-A. The main aim of the IPO is to raise additional capital in order to further accelerate the Company's future growth strategy. The decision and future vision was presented to the market in April 2021. In conducting the IPO from 25 October to 5 November 2021, one of the Company's objectives was to appeal to existing loyal customers who visit the Company's stations on a daily basis, to attract a new customer segment, and to contribute to the future development of the Company by investing the funds raised in the IPO in further development of the biomethane and compressed natural gas (CNG) product, in electric charging points and solar panel solutions for the Company's operations, as well as in the improvement of the IT infrastructure.

Investors holding 100 or more shares can become members of Virši's shareholder loyalty programme, which offers special deals on fuel and other products at the Company's network of service stations.
ESG reporting

Management report

Environmental, social, and governance issues are becoming increasingly important for both society and business. Climate change, resource scarcity, social inequalities, discrimination, various crises and conflicts over the last decade illustrate the challenges facing today's society. 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 2023 we continued following our reporting practice and prepared the third Company's 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 the ESG indicators and initiatives to be taken by VIRŠI in future years.
In parallel with the compilation of the 2022 non-financial report in 2023, the Company carried out an in-depth study of the upcoming changes to the NFR Directive, which will be based on the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), in order to be able to fully assess and set achievable targets in line with the new methodology.
The ESG Report 2022 published during the reporting period shows that the Group has prioritised ESG actions and materiality themes, which is also evident in the data - the Group has shown improvements in all three sustainability areas. When calculating both emissions and energy consumption per net profit (excluding financial instruments), there has been a year-on-year downward trend in impacts and energy consumption per EUR earned.
Representatives of the Compamy are proactively involved in various matters of importance to society and are regularly invited to share their knowledge and experience at other events. At the end of 2023, the Company organised the first Transport Decarbonisation Seminar, with a priority focus on the Company's existing business segment customers, to raise the event's theme "Decarbonisation of the transport sector - challenges and opportunities" together with industry experts. Outlining Latvia's plans to promote renewable energy in transport, the conference also featured a keynote speech by Aija Timofejeva, Director of the Energy Sustainability Department, Ministry of Climate and Energy.

Corporate governance

In November 2023, AS VIRŠI-A merged with the subsidiary SIA Viršu nekustamie īpašumi. The subsidiary was engaged in real estate development and owned part of the filling stations in Virši, which were leased to AS VIRŠI-A. The purpose of the reorganisation is to simplify the Group's structure and make management more efficient and to reduce administrative costs.

In February 2023, VIRŠI-A received the Nasdaq Baltic Awards for the best investor relations on the First North stock market. This award reflects the company's high achievements in transparency, good corporate governance, and investor relations. To celebrate the award, representatives of the Company visited the Nasdaq MarketSite studios in New York. As one of the winners of the Nasdaq Baltic Awards 2023 and the winner of the award for the best investor relations in the First North equity market, the Company was invited to participate in the ceremonial ringing of the closing bell at the New York Times Square. As a listed entity, the Company pursues a targeted investor relations strategy and has been implementing a shareholder loyalty programme since the end of 2021, as well as ensuring transparency in its corporate development processes. Concern for the interests of shareholders, customers, and business partners, investments in network expansion and modernisation, as well as ambitious steps to enter new energy segments, form a strong basis for sustainable growth and increased corporate value over time.

Environment protection measures

Joint Stock Company VIRŠI-A operates effectively and has a certified integrated quality, environmental, and energy management system based on the requirements of international standards ISO 9001:2015, 14001:2015, and 50001:2018. The integrated management system ensures continuous improvement of the company's performance and alignment of objectives with environmental protection, energy efficiency, and process quality. The requirements of the integrated management system and the legislation of the Republic of Latvia are complied with in the storage and marketing of fuel products, procurement, acquisition of new technological equipment, implementation of station reconstruction and new development projects, marketing of goods and products, and customer service.
The objectives of the Integrated Management System of Virši for 2023 include the use of renewable resources, reduction of energy consumption and improvement of energy efficiency, segregation of generated waste and good environmental management practices as well as pollution control of the stations. With regard to the responsibility for historical groundwater contamination at filling stations, remediation of historically contaminated groundwater has been carried out at two stations under category B permits for polluting activities. To promote waste sorting, the company offers customers the opportunity to participate in the sorting of waste in the sorting bins installed at the stations. Continuing to improve technological processes and to promote energy efficiency and environmental protection, in 2023 Virši invested in the latest generation of technological solutions such as: biological treatment plants, refrigeration plants, innovative station lighting solutions, fuel storage tanks equipped with an integrated control system, and the construction of underground waste storage tanks.

Employees

Management report

Following the dynamic economic and labour market situation in the retail sector, one of the Company's priorities during the reporting period was to improve the well-being of its staff by improving the employer's offer to employees. During the reporting period, the remuneration of station sales staff was reviewed and increased on two occasions and the coverage of health insurance policies was further extended. Employee surveys are taken twice a year to promote employee satisfaction and involvement in the development of the working environment. To ensure the long-term development of employees' competences, the existing training programme "Virši Academy" was improved and a new employee day "Get to know Virši" was introduced to help each employee understand the company's business lines, long-term goals, and feel the company culture more effectively. In 2023, more than 120 new colleagues were brought together at such events. In the reporting year, the Company was ranked 8th in the trading sector in CV Online's Top Employers survey.

Support to Latvia State Blood Donor Centre

One of the Company's key social responsibility objectives for 2023 was to support the SOS Children's Villages Association. The initiative is based on providing assistance through the advantages of a network of filling stations, reaching out and informing the company's stakeholders and the public about the topicality of the matter. During the reporting period, the Company supported the Association's activities by donating EUR 20 000 to help cover the operating and transport costs of the SOS Children's Villages in 2023. An information campaign was carried out internally, in the media channels and in the filling station network environment with the aim of raising awareness of the SOS Children's Villages Association and the need for support.
During the reporting period, the support to the National Blood Donor Centre, launched in 2020, continued, further explaining and highlighting the importance of continuity of blood donation to both the public and the company's employees. Donor Days are also organised at the Company's Riga office, addressing the employees and business partners, thus supporting the Latvian blood donor movement. In 2023, the Group donated more than EUR 20 000 to various organisations in support of Ukraine and its citizens. The funds were mainly used to purchase fuel for the delivery of various aid shipments to Ukraine.

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 the 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 established due days. Trade receivables are carried at their recoverable amount. The Company's partners in cash transactions are local financial institutions with an appropriate credit history.
The Company is exposed to the oil price risk as it both purchases and sells fuel products, and 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 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

On 23 January 2024, the Company established a subsidiary in Lithuania, strategically planning the expansion of the service station network in Lithuania in the coming years, and on 5 April 2024, the Group acquired 100% of the shares in AS CRYO Baltic with the aim of developing a service station in the future on the basis of rights owned by the Company.
On 23 February 2024, the Group's parent company, AS Virši-A, refinanced the balance of the loan from AS Citadele banka, recognised as current liabilities in the balance sheet as at 31 December 2023, with a long-term loan from AS Swedbank.
No other significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.

Riga, 17 April 2024

Jānis Vība	Linda Prūse	Vita Čirjevska
Chairman of the Board	Member of the Board	Member of the Board

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Profit and Loss Statement

	Note	2023	2022
		EUR	**EUR**
Net sales	2	323 436 508	350 826 870
Cost of goods sold, cost of goods or services	3	(287 515 108)	(317 767 937)
Gross profit		**35 921 400**	**33 058 933**
Selling expenses	4	(26 848 356)	(24 342 387)
Administrative expenses	5	(2 651 298)	(2 261 858)
Other operating income	6	409 211	146 983
Other operating expenses	7	(1 140 405)	(843 356)
Other interest and similar income:			
a) from related parties		252 598	118 149
b) from other parties		367 486	67 648
Interest and similar expenses:			
b) to other parties		(653 158)	(223 587)
Profit before corporate income tax		**5 657 478**	**5 720 526**
Corporate income tax for the reporting year		(400 005)	(271 718)
Profit after corporate income tax		**5 257 473**	**5 448 808**
Profit of the reporting year		**5 257 473**	**5 448 808**

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

Riga, 17 April 2024

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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Balance Sheet as 31 December 2023

ASSETS

LONG-TERM INVESTMENTS	Note	31.12.2023 EUR	31.12.2022 EUR
Intangible assets	8		
Concessions, patents, licenses, trademarks and similar rights		338 225	108 739
Other intangible assets		317 932	110 357
TOTAL		**656 157**	**219 096**
Property and equipment	9		
Real estate:			
a) Land, buildings, and engineering structures		65 508 021	38 862 124
Leasehold improvements		463 665	1 131 008
Equipment and machinery		9 260 642	5 775 670
Other property and equipment		4 272 910	3 130 288
Construction in progress		2 970 663	557 153
Prepayments for fixed assets		1 180 552	262 742
TOTAL		**83 656 453**	**49 718 985**
Long-term financial investments			
Investment in subsidiaries	10	925 260	6 447 560
Investment in associated companies	11	1 576 884	1 556 399
Loans to associated companies		227 600	1 453 200
TOTAL		**2 729 744**	**9 457 159**
TOTAL LONG-TERM INVESTMENTS		**87 042 354**	**59 395 240**

CURRENT ASSETS	Note	31.12.2023 EUR	31.12.2022 EUR
Inventories			
Raw materials	12	698 155	576 888
Finished goods and goods for sale	12	11 065 759	8 486 917
Prepayments for inventories		217 955	246 612
TOTAL		**11 981 869**	**9 310 417**
Receivables			
Trade receivables	13	16 889 874	16 541 780
Due from related parties		156 943	195 223
Other receivables	14	278 532	242 632
Other loans	15	50 000	-
Loans to associated companies	15	1 700 000	4 153 534
Prepaid expenses		290 409	117 085
Accrued income		107 645	57 250
TOTAL		**19 473 404**	**21 307 504**
Cash	16	3 063 729	10 600 736
TOTAL CURRENT ASSETS		**34 519 002**	**41 218 657**
TOTAL ASSETS		**121 561 356**	**100 613 897**

Balance Sheet as 31 December 2023

LIABILITIES

SHAREHOLDERS' EQUITY	Note	31.12.2023 EUR	31.12.2022 EUR
Share capital	17	7 564 731	7 557 211
Share premium	17	6 358 527	6 358 527
Long-term investment revaluation reserve	18	25 165 723	20 194 915
Reserves:			
f) other reserves		25 731	25 731
Retained earnings brought forward from previous years		19 161 038	16 425 771
Profit of the reporting year		5 257 473	5 448 808
TOTAL EQUITY		**63 533 223**	**56 010 963**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	19	14 601 230	10 497 649
Other loans	20	5 755 516	4 832 608
Deferred income		391 872	496 528
TOTAL		**20 748 618**	**15 826 785**
Current liabilities			
Loans from credit institutions	19	7 114 005	2 167 674
Other loans	20	3 200 000	700 000
Customer advances		542 693	643 226
Accounts payable to suppliers and contractors		15 857 509	17 472 496
Due to related companies		284 593	268 456
Taxes and social contributions	23	6 905 774	4 839 833
Other liabilities	21	742 523	643 367
Deferred income		112 627	132 895
Accrued liabilities	22	2 519 791	1 908 202
TOTAL		**37 279 515**	**28 776 149**
TOTAL LIABILITIES		**58 028 133**	**44 602 934**
TOTAL LIABILITIES		**121 561 356**	**100 613 897**

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

Riga, 17 April 2024

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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Statement of Cash Flows

	Note	2023 EUR	2022 EUR
Cash flows from operating activities			
Profit before corporate income tax		5 657 478	5 720 525
Adjustments for:			
Impairment of property and equipment	9	3 290 559	2 800 392
impairment of intangible assets	8	118 054	107 147
interest and similar revenue		(620 084)	(185 797)
decrease in value of long-term and short term financial investments		21 575	-
interest and similar expenses		653 158	223 587
Profit before adjustment for the impact of changes to current assets and current liabilities		***9 120 738***	***8 665 854***
(increase)/decrease of receivables		(549 005)	(4 063 596)
(increase) or decrease in inventories;		(2 671 452)	2 489 060
increase/(decrease) of accounts payable to suppliers, contractors and other creditors		915 649	4 772 842
Gross cash flows from operating activities		***6 815 930***	***11 864 160***
Interest paid		(653 158)	(223 587)
Corporate income tax		(462 133)	(291 771)
Net cash flows from operating activities		**5 700 639**	**11 348 802**
Cash flows from investing activities			
Acquisition of shares in related, associated, or other companies	10,11	-	(21 575)
Purchase of property, equipment, and intangible assets	8,9	(13 644 236)	(9 214 537)
Income from disposal of fixed and intangible assets		13 070	141 424
Loans issued		(2 203 000)	(2 920 000)
Loans repaid		130 473	1 475 200
Interest received		620 084	185 797
Acquired as a result of merger		3 342	-
Net cash flows generated from investing activities		**(15 080 267)**	**(10 353 691)**
Cash flows from financing activities			
Loans received		6 500 000	7 000 000
Repayment of loans		(2 924 258)	(1 942 020)
Finance lease payments		(73 917)	(191 225)
Dividends paid		(1 659 205)	(1 058 522)
Net cash flows from financing activities		**1 842 620**	**3 808 233**
Net cash flows for the reporting year		**(7 537 007)**	**4 803 344**
Cash and cash equivalents at the beginning of the year		10 600 736	5 797 392
Acquired as a result of merger		3 342	-
Cash and cash equivalents at the end of the year	16	**3 063 729**	**10 600 736**

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

Riga, 17 April 2024

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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Statement of Changes to the Shareholders' Equity

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Reserves	Retained earnings	Total
31 December 2021		**7 545 605**	**6 358 527**	**16 342 102**	**25 731**	**17 495 899**	**47 767 864**
Investment in share capital	17	11 606	-	-	-	(11 606)	-
Increase/(decrease) in the long-term investment revaluation reserve	18	-		3 852 813	-	-	3 852 813
Dividends paid	17	-		-	-	(1 058 522)	(1 058 522)
Profit of the reporting year		-		-	-	5 448 808	5 448 808
31 December 2022		**7 557 211**	**6 358 527**	**20 194 915**	**25 731**	**21 874 579**	**56 010 963**
Investment in share capital	17	7 520	-	-	-	(7 520)	-
Acquired as a result of merger	27	-	-	6 024 906	-	(1 046 816)	4 978 090
Increase/(decrease) in the long-term investment revaluation reserve	18	-	-	(1 054 098)	-	-	(1 054 098)
Dividends paid	17	-	-	-	-	(1 659 205)	(1 659 205)
Profit of the reporting year		-	-	-	-	5 257 473	5 257 473
31 December 2023		**7 564 731**	**6 358 527**	**25 165 723**	**25 731**	**24 418 511**	**63 533 223**

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

Riga, 17 April 2024

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 ("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 financial statements for 2023 were approved by the Board on 17 April 2024.

Summary of material accounting principles

Basis of the preparation

The annual report was prepared in accordance with the law "On Accounting" and "The Annual Reports and Consolidated Annual Report Law".

The financial statements were prepared on a going concern basis. The currency unit used in the financial statements is the euro (EUR). The financial statements cover the period from 1 January 2023 to 31 December 2023.

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 with those used in the prior year.

Items were valued in accordance with the principle of prudence:

- the financial statements reflect only the profit generated to the date of the balance sheet;
- 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; and,
- all impairments 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.

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.

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 material accounting principles (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. Such assets are carried at amortized cost in accordance with the effective interest rate method. Profit and loss is recognised in the profit and loss statement as the underlying assets are derecognised or impaired, and also through an 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.

The Company measures financial assets and liabilities at cost, which in the opinion of the Company's management approximates their fair value at the date of acquisition, plus any related incremental costs.

Notes to the financial statements

Summary of material accounting principles (continued)

Use of estimates
In the preparation of these financial statements, management has relied on certain estimates and assumptions that impact certain balance sheet and profit and loss statement items, and the amount of potential liabilities. Future events may impact assumptions that were used as the basis for estimates. Any impact from changes in the estimates is reflected in the financial statements as determined. Significant areas of judgement in the financial statements relate to the revaluation of land, buildings, and engineering structures shown under property and equipment to fair value.

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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities;

Interest rate risk – risk that the Company may suffer losses arising from changes in interest rates;

Liquidity risk – risk that the Company will not be able to meet its financial liabilities when 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 the key risks.

Credit risk
For the purposes of credit risk management, the 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
The Company is prudent in its liquidity risk management and ensures that appropriate funds/ credit line facilities are available to meet its 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

Investments in subsidiary
Investments in 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 into 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 historical 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 material accounting principles (continued)

Property and equipment

(I) Useful lives of property and equipment

Property and equipment is carried at historical cost except for land, buildings, and engineering structures 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 property and equipment	- 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 property and equipment the cost of which is material in comparison with the total cost of the respective asset. If certain components of an item of property and equipment 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 book value of property and equipment 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 property and equipment 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 property and equipment 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 property and equipment (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 property and equipment. 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 property and equipment 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 property and equipment
Land, buildings, and engineering structures are measured by the using the revaluation model. In case the carrying amount of items of property and equipment 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 material accounting principles (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.

On 30 December 2022, certain categories of property and equipment 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 provisions 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. Bad debts 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 carried 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 the obligation can be measured reasonably. If the Company foresees that the expenses required for recognizing a provision 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 provisions are recognized in the profit and loss statement less recovered amounts.

Contingent liabilities and assets

Contingent liabilities are not recognized 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 when there is reasonable likelihood that the Company will receive an inflow of funds.

Leases

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

Notes to the financial statements

Summary of material accounting principles (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 agreements 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

Income 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 on the following conditions:

Sales of goods

Sale of goods is recognised when the Company has passed the significant risks and rewards of ownership of the goods to the customer.

Provision of services

The Company mostly provides fuel transport services to its customers. Revenue from services is recognized in the period when services 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 one year of the balance sheet date are classified as short term.

Corporate income tax

The tax rate is 20%, and the taxable base, determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) , and
- conditionally or theoretically distributed profit (non-operating expenses and other specific cases provided for by the law).

Subsequent events

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	2023	2022
Sale of oil products	272 318 801	309 075 927
Sale of other goods	46 902 854	39 266 075
Other income	4 214 853	2 484 868
TOTAL:	**323 436 508**	**350 826 870**

By geographic market	2023	2022
Latvia	322 151 779	349 694 777
Other	1 284 729	1 132 093
TOTAL:	**323 436 508**	**350 826 870**

3. Cost of goods sold, cost of goods or services

	2023	2022
Cost of oil products and goods	284 531 853	315 843 560
Depreciation and amortisation	106 387	105 986
Decrease of the revaluation reserve	(47 198)	(52 713)
Personnel expenses	175 749	142 739
Cost of lease of real estate property and other costs	46 647	4 484
Maintenance and repairs	37 171	55 137
Transport	75 399	35 684
Other expenses	2 589 100	1 633 060
TOTAL:	**287 515 108**	**317 767 937**

4. Selling expenses

	2023	2022
Personnel expenses	13 317 486	11 116 232
Depreciation and amortisation	3 590 711	2 946 607
Decrease of the revaluation reserve	(624 866)	(416 189)
Cost of lease of real estate property and other costs	2 182 060	2 462 376
Maintenance and repairs	3 184 625	3 552 343
Marketing expenses	1 241 918	873 306
Transport	2 704 308	2 825 665
Other expenses	1 252 114	982 047
TOTAL:	**26 848 356**	**24 342 387**

Notes to the financial statements

5. Administrative expenses

		2023	2022
Personnel expenses		1 650 414	1 363 077
Depreciation and amortisation		135 317	132.087
Decrease of the revaluation reserve		327	(516)
Cost of lease of real estate property and other costs		33 640	27 986
Maintenance and repairs of office		62 666	55 487
Transport		211 752	228 579
Professional services *		359 814	370 727
Other expenses		197 368	84 431
	TOTAL:	**2 651 298**	**2 261 858**

* including total remuneration paid to certified auditors:

		2023	2022
SIA KPMG Baltics for audit of the financial statements		41 800	39 700
ZAB KPMG Law for other expert engagements		2 250	-
SIA Volksona zvērinātu advokātu birojs for other expert engagements		7 457	3 850
ZAB Eversheds Sutherland Bitāns, SIA		7 766	9 053
ZAB JH, SIA		-	9 125
SIA KPMG Baltics for tax and legal advice		25 315	23 685
	TOTAL:	**84 588**	**85 413**

6. Other operating income

		2023	2022
Gain on currency exchange fluctuations, net		8 779	-
Gain on disposal of property and equipment		-	59 073
Revenue from sales of property and equipment		-	141 424
Non-amortised value of disposed property and equipment		-	(82 351)
Income from an insurance compensation received		82 533	49 142
Recovery of written-off/doubtful receivables		2 766	-
Other operating income		315 133	38 768
	TOTAL:	**409 211**	**146 983**

Notes to the financial statements

7. Other operating expenses

	2023	2022
Loss from sales of property and equipment, net, incl:	248 331	-
Revenue from sales of property and equipment	(13 070)	-
Non-amortised value of disposed property and equipment	261 401	-
Changes in doubtful debt allowances	(13 055)	97 875
Write-off of bad debts	148 939	55 014
Staff sustainability measures	261 955	142 392
Loss on currency exchange fluctuations, net	-	55 736
Donations	138 700	87 122
Bank charges	71 553	45 390
Other operating expenses	283 982	359 827
TOTAL:	**1 140 405**	**843 356**

8. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Intangible assets	**TOTAL**
Historical cost				
31 December 2022	**187 373**	**526 950**	-	**714 323**
Additions	60 840	103 637	390 637	555 114
Elimination of historical cost	-	(105)	-	(105)
Reclassifications	219 992	170 645	(390 637)	-
31 December 2023	**468 205**	**801 127**	**-**	**1 269 332**
Accumulated amortization				
31 December 2022	**78 634**	**416 593**	-	**495 227**
Calculated amortization	51 346	66 707	-	118 053
Amortization of disposed assets	-	(105)	-	(105)
31 December 2023	**129 980**	**483 195**	**-**	**613 175**
Carrying amount				
31 December 2022	108 739	110 357	-	219 096
31 December 2023	**338 225**	**317 932**	**-**	**656 157**

Notes to the financial statements

9. Property and equipment

	Land, buildings, and engineering structures	Leasehold improvements	Equipment and machinery	Other property and equipment	Construction in progress	Prepayments for property and equipment	**TOTAL**
Historical cost							
31 December 2022	**45 636 457**	**1 821 137**	**10 224 273**	**7 290 969**	**557 153**	**262 742**	**65 792 731**
Additions	1 120 489	159 646	840 745	1 155 512	8 894 920	917 810	13 089 122
Reclassifications	6 367 804	(1 221 762)	1 668 957	1 256 861	(8 071 860)		-
Acquired as a result of merger	22 181 057	-	2 288 231	187 350	1 590 450	-	26 247 088
Cost of disposed items of property and equipment	(615 373)	(66 997)	(33 852)	(257 730)	-	-	(973 952)
31 December 2023	**74 690 434**	**692 024**	**14 988 354**	**9 632 962**	**2 970 663**	**1 180 552**	**104 154 989**
Accumulated depreciation and impairment							
31 December 2022	**6 774 333**	**690 129**	**4 448 603**	**4 160 681**	**-**	**-**	**16 073 746**
Depreciation, depreciation of the revalued part*	1 252 886	200 209	913 765	1 347 502	-	-	3 714 362
Reclassifications	619 583	(619 583)	-	-	-	-	-
Acquired as a result of merger	566 930	-	396 023	78 063	-	-	1 041 016
Accumulated depreciation of disposed property and equipment	(31 319)	(42 396)	(30 679)	(226 194)	-	-	(330 588)
31 December 2023	**9 182 413**	**228 359**	**5 727 712**	**5 360 052**	**-**	**-**	**20 498 536**
Carrying amount							
31 December 2022	38 862 124	1 131 008	5 775 670	3 130 288	557 153	262 742	49 718 985
31 December 2023	**65 508 021**	**463 665**	**9 260 642**	**4 272 910**	**2 970 663**	**1 180 552**	**83 656 453**

On 30 December 2022, the Company revalued property and equipment under category Land, buildings, and engineering structures to fair value. The result of revaluation (appreciation) recorded in the accounting records of the Company on 31 December 2022. The revaluation was performed by certified real estate appraiser SIA Arco Real Estate. The valuation was based on the income and cost approach. Had the revaluation not been performed, the carrying amount of the category as at 31 December 2023 would have been EUR 40 379 279 (31 December 2022: EUR 18 965 709). The management believes the fair value at the end of 2023 was not materially different from the carrying amount.

Type	Fair value, EUR (2022-2023)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	32 058 000	Discounted cash flows	- Discount rate ranging from 11% to 15.5% - Capitalization rate ranging from 10% to 14.0% - Gross revenue assumption in year one for fuel sales from EUR 40 thousand to EUR 326 thousand - Gross revenue assumption in year one for store sales from EUR 54 thousand to EUR 333 thousand – Revenue growth from year 4 or 5 – 0.5% per year (with the exception of a new filling station with growth of 5%-7% p.a.)	Market value may increase (reduce) if: - Discount rate reduces (increases); - Initial gross revenue from fuel and store sales increases (reduces); - Maintenance cost of filling stations reduces (increases); - Forecast of changes in revenue increases (reduces).
Oil storage facility /	1 936 000	Discounted cash flows / capitalisation of lease revenue	- Discount rate 17.5% - Capitalization rate ranging from 7.5% to 15% - Rent of 0.14 EUR/m^2 (land) to 3.0 EUR/t (fuel)	Market value may increase (reduce) if: - Discount / capitalisation rate reduces (increases);

Notes to the financial statements

Type	Fair value, EUR (2022-2023)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
railway network			- Leased land/transhipment capacity/annual utilisation 49-95% - Revenue growth from year 3 0.5% - 1.0% p.a.	- Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).
Commercial buildings	59 000	Discounted cash flows	- Discount rate 12.0%, capitalization rate 10.0 – 10.5% - Rent 1.00 - 3.00 EUR/m2 - Occupancy rate 65-90% p.a. - Revenue growth from year 3 0.5% - 1.0% p.a.	Market value may increase (reduce) if: - Discount rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).

Cadastre value of the Company's real estate

	31.12.2023	31.12.2022
Buildings and constructions	2 096 323	1 185 885
Land	2 612 625	1 432 364
TOTAL:	**4 708 948**	**2 618 249**

Fully depreciated items of property and equipment

A number of fully depreciated tangible assets are still being used for the Company's primary activities. The total cost of such assets at the reporting date was EUR 4 280 346 (2022: EUR 3 009 918).

Carrying amount of assets purchased under finance lease

The carrying amount of assets purchased under finance lease is the following:

	31.12.2023	31.12.2022
Equipment and machinery	167 598	229 105
TOTAL:	**167 598**	**229 105**

In 2023, tangible assets purchased under finance lease amounted to EUR 168 636 (2022: EUR 242 553). Please see also Note 25.

Depreciation

The total depreciation charge is shown in the following items of the profit and loss statement:

	2023	2022
Cost of goods sold, cost of goods or services	106 387	105 986
Selling expenses	3 590 711	2 946 607
Administrative expenses	135 317	132 087
TOTAL:	**3 832 415**	**3 184 680**

Pledges and other collaterals

In accordance with the loan agreements signed with Latvian commercial banks and the related mortgage and pledge agreements, the Company has pledged certain of its real estate properties as security for its obligations (Note 19).

Notes to the financial statements

10. Investment in subsidiaries

	31.12.2023	31.12.2022
Carrying amount as at 1 January	6 447 560	6 447 560
Reorganization	(5 522 300)	-
Investment	-	-
Purchases	-	-
Carrying amount as at 31 December:	**925 260**	**6 447 560**

Name of the Company	Number of shares held on 31.12.2023	Cost	Carrying amount on 31.12.2023	Equity of the related party as at 31.12.2023	Profit of the related party at the reporting date
	%	EUR	EUR	EUR	EUR
SIA Virši Renergy	100	352 800	352 800	4 467 433	2 809 228
SIA Virši loģistika	100	572 460	572 460	844 198	94 618
		925 260	**925 260**	**5 311 631**	**2 903 846**

In 2023, the Company completed the reorganisation process and the subsidiary SIA Viršu nekustamie īpašumi was merged into the parent company.

Dividends from subsidiaries were not received during the reporting year.

11. Investment in associated companies

	31.12.2023	31.12.2022
Carrying amount as at 1 January	1 556 399	1 534 824
Purchases	-	21 575
Impairment allowance	(21 575)	-
Reorganization	42 060	-
Carrying amount as at 31 December:	**1 576 884**	**1 556 399**

Name of the Company	Number of shares held on 31.12.2023	Cost	Carrying amount on 31.12.2023	Equity of the associate as at 31.12.2023	Profit of the associated company in the reporting year
	%	EUR	EUR	EUR	EUR
AS Skulte LNG Terminal	19,23	21 575	-	(1 689)	(18 668)
SIA GasOn	30	1 534 824	1 534 824	1 056 846	(224 516)
SIA GulfPetrol RE	30	42 060	42 060	167 118	56 300
		1 598 459	**1 576 884**	**1 222 275**	**(186 884)**

At the end of 2023, the reorganisation process of AS Virši-A was completed by merging the subsidiary SIA Viršu nekustamie īpašumi and taking over the investment in SIA GulfPetrol RE.

Notes to the financial statements

12. Inventories

		31.12.2023	31.12.2022
Auxiliary materials		613 557	526 556
Fuel		8 476 636	6 123 329
Other goods		2 673 721	2 413 920
	TOTAL:	**11 763 914**	**9 063 805**

13. Trade receivables

		31.12.2023	31.12.2022
Trade receivables		17 432 299	17 097 260
Doubtful debt allowance		(542 425)	(555 480)
	TOTAL:	**16 889 874**	**16 541 780**

14. Other receivables

		31.12.2023	31.12.2022
Overpaid taxes*		-	1 959
Security deposits		145 187	109 030
Other receivables		133 345	131 643
	TOTAL:	**278 532**	**242 632**

* Overpaid taxes (See Note 23).

15. Loans

15.a Loans to associates

Outstanding as at 1 January 2023	1 453 200	278 400
Carrying amount as at 1 January 2023	1 453 200	278 400
Loans issued	500 000	1 700 000
Loans repaid	(25 600)	(525 200)
Outstanding as at 31 December 2023	1 927 600	1 453 200
Carrying amount as at 31 December 2023	**1 927 600**	**1 453 200**

In 2022, a loan of EUR 278 400 issued by SIA Virši nekustamie īpašumi to associate SIA Gulf Petrol RE was taken over. The maturity date is 31.12.2031 and the annual interest rate is 2.2%. The balance of the loan as at 31 December 2023 is EUR 227 600.

In 2021, an agreement was signed about a convertible loan of EUR 1 200 000 to associate SIA Gason. The maturity date is 31.12.2024 and the annual interest rate is 2.2%. The balance of the loan as at 31 December 2023 is EUR 1 200 000. In 2023, a loan agreement was signed about EUR 500 000 maturing on 31.12.2024 with the annual interest rate of 4.5%+3m Euribor. The balance of the loan as at 31 December 2023 is EUR 500 000.

Notes to the financial statements

15.b Loans to related parties

Outstanding as at 1 January 2023	4 153 534	3 883 534
Carrying amount as at 1 January 2023	4 153 534	3 883 534
Loans issued	1 653 000	1 720 000
Loans repaid	(104 873)	(1 450 000)
Acquired as a result of merger	(5 701 661)	-
Outstanding as at 31 December 2023	-	4 153 534
Carrying amount as at 31 December 2023	**-**	**4 153 534**

In 2021, an agreement was signed about a loan of EUR 8 500 000 to subsidiary SIA Viršu nekustamie īpašumi. The maturity date is 31.12.2024 and the annual interest rate is 2%+3m Euribor. During 2023, the loan was acquired as a result of merger. The balance of the loan as at 31 December 2023 is nil (31.12.2022: EUR 4 048 661).

In 2021, an agreement was signed about a loan of EUR 204 872 to subsidiary SIA Virši Logistics. The maturity date is 31.12.2024 and the annual interest rate is 2%+3m Euribor. The balance of the loan as at 31 December 2023 is nil (31.12.2022: EUR 104 872).

15.c Other loans

Outstanding as at 1 January 2023	-	-
Carrying amount as at 1 January 2023	-	-
Loans issued	50 000	-
Loans repaid	-	-
Outstanding as at 31 December 2023	**50 000**	-
Carrying amount as at 31 December 2023	**50 000**	**-**

In 2023, an agreement was signed about a loan of EUR 50 000 to subsidiary SIA Livland Biomethane. The maturity date is 31.12.2024 and the annual interest rate is 2.5%+3m Euribor. The balance of the loan as at 31 December 2023 is EUR 50 000 (31.12.2022: 0).

16. Cash and cash equivalents

	31.12.2023	31.12.2022
Cash in bank and on hand	1 413 844	8 659 769
Money in transit	1 649 885	1 940 967
TOTAL:	**3 063 729**	**10 600 736**

17. Share capital

Share capital of the Group in 2023 is EUR 7 564 730 (2022: EUR 7 557 210.50), comprised of 15 129 460 shares (2022: 15 114 421). Nominal value per share is EUR 0.50 (2022: EUR 0.50). All shares are fully paid up. In 2023, the Company continued its employee share option programme by making the second conversion of options, increasing share capital and issuing an additional 15 039 (2022: 23 212) shares for a total value of EUR 7 520 (2022: EUR 11 606).

In November 2023, AS VIRŠI-A merged with the subsidiary SIA Viršu nekustamie īpašumi. The subsidiary was engaged in real estate development and owned part of the filling stations in Virši, which were leased to AS VIRŠI-A. The purpose of the reorganisation is to simplify the Group’s structure and make management more efficient and to reduce administrative costs.
In the reporting year, dividends were distributed out of retained earnings of EUR 2 074 007; EUR 1 659 206 or EUR 0.10977365 per share was paid to shareholders in dividends, and EUR 414 801 was paid as corporate income tax.

Notes to the financial statements

18. Long-term investment revaluation reserve

The long-term investment revaluation reserve includes revaluation amounts of tangible assets (see Note 9).

	Balance Sheet		Change	
	31.12.2023	31.12.2022	2023	2022
Long-term investment revaluation reserve	**25 165 723**	**20 194 915**	**4 970 807**	**3 852 813**

	2023	2022
Decrease of the revaluation reserve as a result of revaluation	-	4 330 459
Decrease (amortisation) of the revaluation reserve	(671 736)	(469 418)
Revaluation reserve of disposed tangible assets	(382 362)	(8 228)
Acquired as a result of merger	6 024 906	-
TOTAL:	**4 970 808**	**3 852 813**

19. Loans from credit institutions

Long term:		*Maturity date*	31.12.2023	31.12.2022
Loans from Latvian commercial banks	EUR	27.12.2028	14 488 095	10 347 424
Finance lease liabilities	EUR	25.11.2027	113 135	150 225
		TOTAL long-term loans from credit institutions:	**14 601 230**	**10 497 649**

Short term:		*Maturity date*	31.12.2023	31.12.2022
Loans from Latvian commercial banks	EUR	08.07.2024	7 058 504	2 075 346
Finance lease liabilities	EUR	25.11.2027	55 501	92 328
		TOTAL short-term loans from credit institutions:	**7 114 005**	**2 167 674**
		TOTAL loans from credit institutions:	**21 715 235**	**12 665 323**

Credit line facility unused at the reporting date:

	31.12.2023	31.12.2022
Maturing within 12 months	3 000 000	3 000 000
TOTAL:	**3 000 000**	**3 000 000**

Loans from credit institutions carry base rates plus a variable rate of 3M EURIBOR or 6M EURIBOR, and the Company pays a commitment fee for the availability of resources under its credit line facility. The interest rates and the commitment fee is at an arm's length.

In 2023, a loan of EUR 4 000 000 was received.

The loan agreements are in force: 9 July 2019 - 8 July 2024; 20 March 2020 - 18 March 2025; 22 October 2021 - 22 October 2026; 11 January 2022 - 13 January 2025; 10 March 2022 - 10 March 2027; 27 December 2023 - 27 December 2028.

The credit line agreement is in force from 9 October 2002 and it expires on 1 May 2024.

Loans from credit institutions are secured by mortgages registered by the Company over real estate property in favour of the lending banks.

The net carrying amount of mortgages at the reporting date is EUR 36 470 928 (2022: EUR 20 704 371).

Notes to the financial statements

20. Other loans

Long term:	31.12.2023	31.12.2022
Interest-free, unsecured loan from the shareholders	5 755 516	4 832 608
TOTAL other long-term loans:	**5 755 516**	**4 832 608**

Short term:	31.12.2023	31.12.2022
Interest-free, unsecured loan from the shareholders	700 000	700 000
Loan from a related party	2 500 000	-
TOTAL other short-term loans:	**3 200 000**	**700 000**
TOTAL other loans:	**8 955 516**	**5 532 608**

21. Other liabilities

	31.12.2023	31.12.2022
Remuneration	736 974	638 280
Other liabilities	5 549	5 087
TOTAL:	**742 523**	**643 367**

22. Accrued liabilities

	31.12.2023	31.12.2022
Accrued expenses of unused vacations	618 618	541 013
Other accrued liabilities for operating expenses	1 901 173	1 367 189
TOTAL:	**2 519 791**	**1 908 202**

23. Taxes and social contributions

	31.12.2023	Calculated	Paid in	Repaid	31.12.2022
Social security contributions	338 222	4 078 957	4 045 407		304 672
Personal income tax	147 890	1 860 406	1 849 593		137 077
Excise tax	4 959 202	43 316 518	41 787 516		3 430 200
Corporate income tax	36 656	401 667	462 133	98 268	(1 146)
Value added tax	1 422 607	13 852 484	13 396 780		966 903
Natural resources tax	578	2 139	2 428		867
Real estate tax	536	47 651	46 302		(813)
Company car tax	83	23 597	23 628		114
TOTAL:	**6 905 774**	**63 583 419**	**61 613 787**	**98 268**	**4 837 874**
TOTAL LIABILITIES:	**6 905 774**				**4 839 833**
TOTAL CLAIMS:	**-**				**(1 959)**

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

Notes to the financial statements

24. Personnel costs and number of staff

	2023	2022
Remuneration	12 181 628	10 160 009
Social security contributions	2 868 412	2 394 344
Other personnel cost	93 609	67 695
TOTAL:	**15 143 649**	**12 622 048**

Including remuneration to key management

	2023	2022
Members of the Board and Council		
Remuneration	604 282	464 973
Social security contributions	142 231	109 623
TOTAL:	**746 513**	**574 596**

Average number of staff in the reporting year:

	2023	2022
Members of the Council	6	6
Members of the Board	3	3
Other staff	715	628
TOTAL:	**724**	**637**

25. Finance lease liabilities

	Maturity	Non-current portion	Current portion	**Total**
Latvian commercial bank	25.11.2027	113 135	55 501	168 636
Total 31.12.2023		**113 135**	**55 501**	**168 636**
Total 31.12.2022		**150 225**	**92 328**	**242 553**

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 actual annual lease expenses in 2023 amounted to EUR 2 182 331 (2022: EUR 2 426 314). At the reporting date, the total estimated minimum lease payments under irrevocable operating lease contracts were:

	31.12.2023	31.12.2022
In less than one year	526 146	2 163 624
In 1 – 5 years	1 582 136	6 682 379
In more than 5 years	1 317 402	3 716.352
TOTAL:	**3 425 684**	**12 562 355**

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 have been recognised for doubtful receivables. Any recoveries obtained from litigation are recognised as revenue as received.

27. Merger

In November 2023, AS VIRŠI-A merged with the subsidiary SIA Viršu nekustamie īpašumi. The subsidiary was engaged in real estate development and owned part of the filling stations in Virši, which were leased to AS VIRŠI-A. The purpose of the reorganisation is to simplify the Group's structure and make management more efficient and to reduce administrative costs.

Assets	
Long-term investments	
Property and equipment	25 206 072
Investments in associates	42 060
Total long-term investments	**25 248 132**
Current assets	
Other receivables	30 918
Cash and cash equivalents	3 342
Total current assets	**34 260**
Total assets	**25 282 392**
Equity and Liabilities	
Non-current liabilities	
Loans from credit institutions	(5 561 236)
Other loans	(1 622 915)
Total non-current liabilities	**(7 184 151)**
Current liabilities	
Loans from credit institutions	(1 786 843)
Taxes and social contributions	(30 696)
Accrued liabilities	(78 654)
Total current liabilities	**(1 896 193)**
Total liabilities	**(9 080 344)**
Total liabilities and shareholders' equity	**(9 080 344)**
Net assets	**16 202 048**

The net assets acquired in the merger amount to EUR 16 202 048, which, net of the eliminated equity interests in the related companies of EUR 5 522 300 and the loan of EUR 5 701 661 granted by the related companies, the result of the merger was EUR 4 978 087. This increase was distributed within equity under the following headings: an increase in the revaluation reserve of EUR 6 024 906 and a decrease in retained earnings brought from previous years of EUR 1 046 816.

28. Related party transactions

The Company has 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	2023	2022
Subsidiaries	Loans issued	1 653 000	1 720 000
Subsidiaries	Repayment of loans	(104 872)	(1 450 000)
Subsidiaries, result of merger	Repayment of loans	(5 701 661)	-
Subsidiaries	Other costs related to lease of real estate property	(5001)	(34 192)
Subsidiaries	Purchase of natural gas	-	(571 754)

Notes to the financial statements

Subsidiaries	Purchase of electricity	(1 021 950)	(1 561 330)
Subsidiaries	Lease of real estate	(1 827 881)	(2 146 690)
Subsidiaries	Income from sales of goods	561 999	677 193
Subsidiaries	Fuel supply services	(2 335 019)	(2 299 846)
Subsidiaries	Income from management services	14 240	12 720
Subsidiaries	Interest income	206 983	83 803
Subsidiaries	Interest expenses	(22 865)	-
Associated companies	Lease of real estate	3 018	-
Associated companies	Loans issued	500 000	1 700 000
Associated companies	Repayment of loans	(25 600)	(525 200)
Associated companies	Purchase of natural gas	-	(391 082)
Associated companies	Interest income	45 615	28 485
Associated companies	Fuel intermediation services	-	(2 143 306)
Associated companies	Income from agent services	-	11 143
Shareholder of the company	Repayment of loans	(700 008)	(700 008)

29. Profit distribution

Management proposes a dividend distribution of EUR 1 019 761 (2022: EUR 2 074 007) of net profit; the dividend to be paid to the shareholders is EUR 815 809 (2022: EUR 1 659 206) or EUR 0.05392188 (2022: EUR 0.10977635) per share, and EUR 203 952 to be paid as corporate income tax. The remaining profit for 2023 to be transferred to retained earnings for the further development of the Company.

30. Subsequent events

On 23 January 2024, the Company established a subsidiary in Lithuania, strategically planning the expansion of the service station network in Lithuania in the coming years, and on 5 April 2024, the Group acquired 100% of the shares in AS CRYO Baltic with the aim of developing a service station in the future on the basis of rights owned by the Company.
On 23 February 2024, the Group's parent company, AS Virši-A, refinanced the balance of the loan from AS Citadele banka, recognised as current liabilities in the balance sheet as at 31 December 2023, with a long-term loan from AS Swedbank.

No other 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.

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

Riga, 17 April 2024

Jānis Vība Chairman of the Board	Linda Prūse Member of the Board	Vita Čirjevska Member of the Board

Jeļena Laurinaviča
Chief Accountant

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

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

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 30 of the accompanying Annual Report, which comprise:

— the balance sheet as at 31 December 2023,

— the profit or 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 2023, 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 Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the 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 pages 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 No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
17 April 2024

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