AS Virši-A

(UNIFIED REGISTRATION NUMBER 40003242737)

CONSOLIDATED ANNUAL REPORT FOR 2021

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
UNAUDITED

Riga, 2022

Contents

General information

Name of the parent 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) Linda Prūse, Member of the Board from 13.04.2021 Vita Čirjevska, Member of the Board from 13.04.2021 Jānis Riekstiņš, Chairman of the Board until 13.04.2021 Jānis Rušmanis, Member of the Board until 13.04.2021 Ilgvars Zuzulis, Member of the Board until 13.04.2021 Andrejs Priedītis, Member of the Board until 13.04.2021
Members of the Council	Jānis Riekstiņš, Chairman of the Council from 13.04.2021 Jānis Rušmanis, Deputy Chairman of the Council from 13.04.2021 Ilgvars Zuzulis, Member of the Council from 13.04.2021 Andris Priedītis, Member of the Council from 13.04.2021 Ivars Blumbergs, Member of the Council from 13.04.2021 Silva Skudra, Member of the Council Madara Volksone, Chairwoman of the Council until 13.04.2021 Ausma Rušmane, Deputy Chairwoman of the Council until 13.04.2021
Information on subsidiaries	Viršu nekustamie īpašumi, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 15.09.2020 VIRŠI loģistika, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 15.09.2020 VIRŠI Renergy, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 20.07.2020
Chief Accountant	Jeļena Laurinaviča
Auditors	KPMG Baltics SIA Vesetas iela 7 Riga, Latvia LV-1013 Licence No. 55

Statement of the Management's Responsibility

Line of business
AS VIRŠI-A with its subsidiaries is the largest local fuel trader (hereinafter also referred to as "the Group"). The Group 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 Group'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. Effective from 11 November 2021, the Group's shares have been listed on the alternative market First North of Nasdaq Riga.

The Group's activities during the reporting period

In 2021, the Group 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. The Group's objective from 2021 has been to become a fully-fledged energy company offering its clients an opportunity to purchase electricity and other energy products.

The financial results of the reporting period are strong and indicate substantial growth. Compared to 2020, net sales have increased by 29% or EUR 49.5 million resulting from further expansion and modernization of Virši network as well as product development in convenience stores and market dynamics in fuel. The retail market of fuel in Latvia grew by 3.7% in 2021 in terms of tonnes sold, while Virši grew by 6.1%. At the end of 2020, Virši operated 63 stations, while at the end of 2021 – 65, and it convincingly continued to grow its loyal customer base. Net sales in convenience stores increased by 27.5% or EUR 7 million. In the middle of the year, the Group commenced sales of electricity to business clients.
Net profit amounts to EUR 6 615 767 which is 58% more than in 2020. The Group's net profit margin increased to 3.0% (2020: 2.4%). (The net operating profit margin is calculated by dividing net sales with profit for the reporting year). EBITDA amounted to EUR 9 694 06 (2020: EUR 7 840 923) an increase of 23.5%.

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.

Strategic development and investments

In 2021, the Group continued investing and promoting the compressed natural gas (CNG) network by opening three more CNG filling locations. Given that CNG is currently the most optimal solution to reduce the harmful emissions from lorries the development of the CNG network helps Latvia achieve the objective of reducing the amount of harmful emissions in the transport sector. Electricity and related products are given a significant role in the strategic development of the Group. Supplies of electricity commenced in June 2021. The network of AS Virši-A consists of 65 filling stations of which seven offered CNG.

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. Among the strategic objectives of the Group is the production and sales of biomethane in the nearest years. A mobile gas supply solution is a significant stage of infrastructure development to achieve the objective.

The strategic investments made in 2021 are aimed at continuing to extend the station network of the Group. 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

Group Management Report

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 Group has financed and performed a pilot project for transforming a diesel-powered logistics truck to part diesel – part CNG hybrid. A new CNG vehicle for technical support was acquired as well.

During 2021, sizeable investments were made in the improvement of corporate governance and culture. The Group's governance structure was improved, a corporate governance system was developed and put in place and the efforts to improve risk management were continued.

Total investments of the Group in 2021 increased by 95% or more than EUR 7 million compared to 2020 and amounted to EUR 14.7 million.

AS Virši-A has been a gold level member of the Extended Cooperation Programme of the State Revenue Service since 2018.

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 and it subsidiaries take 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 Group 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 and its subsidiaries are 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.

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During the year, AS VIRŠI-A provided 104.88 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 640 people, which is 14% more compared to 2020.

In recognition of the role of employees in the development of Virši, the Group 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 Group 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 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 Group 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 Group's management observes internal procedures.

Credit risk is controlled by the Group 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 Group's partners in cash transactions are local and foreign financial institutions with appropriate credit history.

The Group 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 Group's prices are predominantly set on the basis of the actual fuel purchase price.

The Group 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 Group 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.

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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 Group constantly evaluates the situation. At the date of these consolidated financial statements, the Group's financial results for 2021 are strong and exceed the budget. The Group's management believes the Group 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 consolidated financial statements.

On February 24, 2022, Russian Federation has started military operation in Ukraine, which has resulted in war at Ukraine. Countries around the world supports Ukraine by issuing financial and economic sanctions against Russia. The management of the Group has evaluated current situation with clients, suppliers and business processes – current situation for company is stable, but there is uncertainty related to related to neighbouring Russia further actions and extent of sanctions implied and its development in the future.

Riga, 2021

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

Consolidated statement of comprehensive income

	Note	2021 EUR	2020 EUR
Net sales	2	220 881 534	171 430 847
Cost of sales	3	(195 020 016)	(149 725 503)
Gross profit		**25 861 518**	**21 705 344**
Selling expenses	4	(17 480 443)	(14 515 318)
Administrative expenses	5	(2 126 246)	(1 902 502)
Other operating income	6	102 023	186 675
Other operating expenses	7	(290 985)	(800 412)
Results from operating activities		**6 065 867**	**4 673 787**
Financial revenue		1 071 113	14 792
Finance expenses	21	(502 233)	(499 565)
Profit before corporate income tax		**6 634 747**	**4 189 014**
Corporate income tax for the reporting year	8	(18 980)	(1 837)
Profit after corporate income tax		**6 615 767**	**4 187 177**
Profit of the reporting year		**6 615 767**	**4 187 177**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment	10	(539 561)	-
Change in Asset retirement obligation	16, 19	57 087	(120 474)
Other comprehensive income		**(482 474)**	**(120 474)**
Total comprehensive income or loss		**6 133 293**	**4 066 703**
Earnings per share before and after dilution	16	**0.49**	**0.31**
EBITDA per share		**0.71**	**0.59**

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 28 February 2022

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

Jeļena Laurinaviča
Chief Accountant

Consolidated statement of financial position as at 31 December 2021

ASSETS

	Note	31.12.2021 EUR	31.12.2020 EUR
NON-CURRENT ASSETS			
Intangible assets	9	154 360	142 534
Property and equipment	10	61 745 970	51 603 845
Right-of-use assets	11	2 615 419	2 316 298
Investment in associate	12	1 559 947	57 156
Loan to an associate		278 400	303 200
Financial instruments		3 500 764	-
TOTAL NON-CURRENT ASSETS		**69 854 860**	**54 423 033**
CURRENT ASSETS			
Inventories	13	11 799 477	5 442 404
Trade receivables	14	12 441 129	8 866 654
Due from related parties		6 513	41 060
Financial instruments		34 271	-
Corporate income tax receivable	24	-	13 982
Other receivables		504 552	145 548
Prepaid expenses		108 903	110 743
Accrued income		265 859	105 544
Cash and cash equivalents	15	6 398 863	3 676 615
TOTAL CURRENT ASSETS		**31 559 567**	**18 402 550**
TOTAL ASSETS		**101 414 427**	**72 825 583**

Consolidated statement of financial position as at 31 December 2021

SHAREHOLDERS' EQUITY	Note	31.12.2021 EUR	31.12.2020 EUR
Share capital		7 545 605	6 677 860
Share premium		6 358 527	-
Reserves:			
Long-term investment revaluation reserve		19 648 511	20 714 459
Other reserves		(4 172 683)	(4 206 039)
Retained earnings:			
Retained earnings brought forward from previous years		14 017 740	9 247 089
Profit of the reporting year		6 615 767	4 187 177
TOTAL EQUITY	16	**50 013 467**	**36 620 546**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	17	14 459 648	8 833 223
Other loans	18	6 082 854	6 624 790
Provisions for asset retirement obligation	19	855 010	788 922
Financial instruments		2 467 548	-
Lease liabilities	20	1 706 813	1 607 622
TOTAL NON-CURRENT LIABILTIES		**25 571 873**	**17 854 557**
Current liabilities			
Loans from credit institutions	17	2 382 759	2 143 482
Other loans	18	700 000	1 000 000
Financial instruments		6 071	-
Lease liabilities	20	645 383	529 757
Trade and other payables		16 767 329	9 593 593
Deferred income		7 652	4 184
Tax liabilities	24	3 393 849	3 405 068
Accrued liabilities	22	1 926 044	1 674 396
TOTAL CURRENT LIABILITIES		**25 829 087**	**18 350 480**
TOTAL LIABILITIES		**51 400 960**	**36 205 037**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**101 414 427**	**72 825 583**

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 28 February 2022

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

Jeļena Laurinaviča
Chief Accountant

Consolidated statement of cash flow

	Note	2021	2020
Cash flows from operating activities		**EUR**	**EUR**
Profit before corporate income tax		6 615 767	4 189 014
Adjustments for:			
Depreciation and amortisation		3 628 198	3 167 136
Result of disposal of property and equipment		12 491	252 279
Interest and similar expenses		501 286	499 559
Income from investment in associate		(2 791)	(2 600)
Net change in fair value of derivatives		(1 061 416)	-
Profit before adjustment for the impact of changes to current assets and current liabilities		**9 693 535**	***8 105 388***
(increase)/decrease of receivables		(4 057 411)	2 834 135
(Increase) or decrease in inventories		(6 357 073)	511 924
Increase/(decrease) of accounts payable to suppliers, contractors and other creditors		7 598 301	(3 822 890)
Gross cash flows from operating activities		***6 877 352***	***7 628 557***
Interest paid		(253 761)	(231 821)
Repaid corporate income tax		-	58 153
Net cash flows from operating activities		**6 623 591**	**7 454 889**
Cash flows from investing activities			
Investment in associates		(1 500 000)	-
Purchase of property, equipment and intangible assets		(14 694 051)	(7 081 700)
Income from disposal of fixed and intangible assets		50 576	577 864
Loans repaid		24 800	24 800
Net cash flows generated from investing activities		**(16 118 675)**	**(6 479 036)**
Cash flows from financing activities			
Income from issue of shares		7 226 272	-
Loans received		8 941 569	3 321 159
Repayment of loans and leases		(3 950 509)	(3 574 642)
Net cash flows from financing activities		**12 217 332**	**(253 483)**
Net cash flows for the reporting year		**2 722 248**	**722 370**
Cash and cash equivalents at the beginning of the year		3 676 615	2 954 245
Cash and cash equivalents at the end of the year	15	**6 398 863**	**3 676 615**

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 28 February 2022

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

Jeļena Laurinaviča
Chief Accountant

Consolidated statement of cash flow

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Other reserves	Retained earnings	Total shareholders' equity
As at 31 December 2019		**910 560**	**-**	**21 603 544**	**1 558 481**	**8 478 478**	**32 551 063**
Comprehensive income							
Profit of the reporting period		-	-	-	-	4 187 177	**4 187 177**
Other comprehensive income							
Provisions for asset retirement obligation	16	-	-	(120 474)	-	-	**(120 474)**
Transfer due to depreciation of accumulated revaluation gain		-	-	(768 611)	-	768 611	**-**
Transaction with owners of the Group							
Share capital increase through legal resutructuring	16	5 764 520	-	-	(5 764 520)	-	**-**
Increase in share capital of subsidairies prior to legal restructuring		2 780	-	-	-	-	**2 780**
As at 31 December 2020		**6 677 860**	**-**	**20 714 459**	**(4 206 039)**	**13 434 266**	**36 620 546**
Comprehensive income							
Profit of the reporting period		-		-	-	6 615 767	**6 615 767**
Other comprehensive income							
Provisions for asset retirement obligation	16	-		57 087	-	-	**57 087**
Transfer due to depreciation of accumulated revaluation gain		-		(583 474)	-	583 474	**-**
Increase/(decrease) in the long-term investment revaluation reserve		-		(539 561)	-	-	**(539 561)**
Transaction with owners of the Group							
Share capital increase	16	867 745	6 358 527	-	-	-	**7 226 272**
Employee share option programme	16	-	-	-	33 356	-	**33 356**
As at 31 December 2021		**7 545 605**	**6 358 527**	**19 648 511**	**(4 172 683)**	**20 633 507**	**50 013 467**

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 28 February 2022

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

Jeļena Laurinaviča
Chief Accountant

1. Information on the Group's activities and summary of significant accounting principles

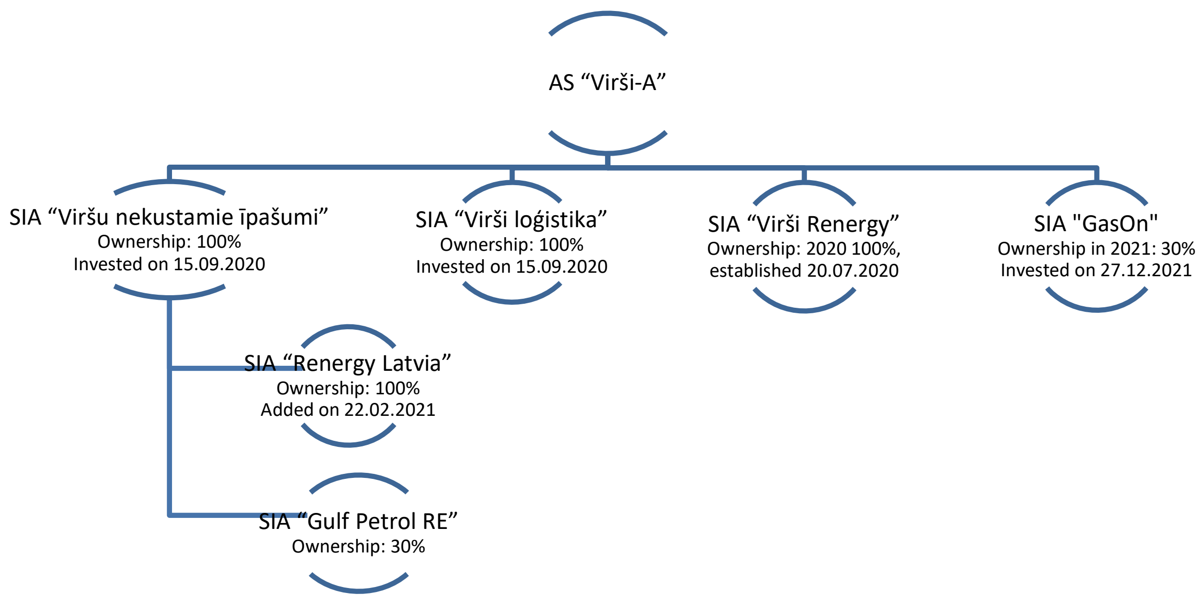
General information on the Group

AS Virši-A (hereinafter "the Group" or "the Parent 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 Group's shareholders are natural persons, residents of Latvia. The Group is engaged primarily in retail and whole sales of oil products, and retail sales of goods.

The Group Parent Company manages three subsidiaries SIA Viršu nekustamie īpašumi, SIA Virši loģisktika and SIA Virši Renergy. The operating activities of the subsidiaries are related to those of the Parent Company and represent development and management of real estate properties, ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and, from June 2021, also electricity.

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

Legal structure of the Group



Virši Group entities were consolidated in joint structure during 2020. Prior to the legal restructuring of Virsi entities (legal investment date September 15, 2020), SIA Virsu nekustamie īpašumi and SIA Virsi Loģistika were related parties to AS Virsi – A with the same ownership structure.

Summary of accounting principles used

Basis of preparation

The consilodated financial statements were prepared on a going concern basis and in accordance with the International Financial Reporting Standards (hereinafter – IFRS) adopted by the European Union.

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are in force during the preparation of the consolidated financial statements are approved for use in the European Union by the European Commission in line with the applicable endorsement procedure.

The currency unit used in the consolidated financial statements is Euro (EUR).

The consolidated financial statements cover the period from 1 January 2021 to 31 December 2021.

The statement of comprehensive income was prepared according to the cost function.

The cash flow statement was prepared using the indirect method.

The consolidated financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis.

2020 was the the first reporting year for which Group consolidated financial statements were prepared and the year of first-time adoption of IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

- It is assumed that the Group will continue to operate;
- Consistent valuation principles were used with those used in comparable accounting periods;
- Items were valued in accordance with the principle of prudence:
    - The consolidated 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 consolidated financial statements;
    - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- 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 consolidated 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.

Related parties

Related parties represent both legal entities and private individuals related to the Group 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. The entity is controlled, or jointly controlled by a person identified in (a).
iv. 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).
v. 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.

Principles of consolidation

These consolidated financial statements include the financial position and results of operations of the Parent Company and controlled subsidiaries. A Parent Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group's interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method. These investments are the Group's interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates is accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment information

Operating segments are presented in accordance with the classification used in internal reports to the chief operating decision maker. The main decision maker is a person or group of persons who allocates resources to the Group's operating segments and evaluates their activities results. The main decision-maker of the Group is the Board.
The Group does not have separate operating segments and management does not perform analysis at a segment level, as it operates only in Latvia and its business is the running of gasoline stations of similar nature. Refer to Note 2 for revenue split by types of operations. All non-finance non-current assets are placed in Latvia. The Group does not have major customers.

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Financial instruments

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 Group 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.

Recognition and initial measurement

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

Classification and subsequent measurement

On initial recognition, Group's financial assets are classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group does not hold debt or equity investments measured at FVOCI or FVTPL. All Company's financial assets are classified as financial assets at amortized costs, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
Any gain or loss on derecognition is recognised in profit or loss.

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.

Financial liabilities

All Company's financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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 Group to other parties to the transaction.

The Group 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. The Group has not applied hedge accounting.

Non-financial assets and liabilities

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. Groups intangible assets mainly cosists of IT softwares and developments with useful life of 3 years.

Property and equipment

(i) Useful lives

Property and equipment is 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 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 consolidated 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 constructions are measured by the Group 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: 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 property and equipment were revalued to fair value. The revaluation was performed for Land, buildings and engineering structures (see Note 10).

Leases

Accounting under IFRS 16

Upon adoption of IFRS 16 in the reporting period the Group recognised right-of-use assets for real estate property (land, buildings), vehicles and store equipment leased by the Group in the ordinary course of business.

Initially, right-of-use assets are measured at the present value of outstanding lease payments at the date of recognition. Lease payments are discounted using the Group's effective financing rate for the specific category of assets.

Subsequent to initial recognition, right-of-use assets are measured at cost.

Under the cost model, right-of-use assets are measured at cost net of accumulated amortisation and impairment losses. Assets are amortised from the date of acquisition to the end date of lease.

Subsequent to initial recognition, lease liabilities are measured

• by increasing the carrying amount to reflect interest under lease liabilities and

• by reducing the carrying amount to reflect lease payments made.

Right-of-use assets relating to leased assets are disclosed in the statement of financial position separately from other assets and lease liabilities are disclosed separately from other liabilities.

Interest expenses on lease liabilities are disclosed in the statement of comprehensive income and other comprehensive income separately from amortisation of the right-of-use asset.

Investments in associates

The Group's interests in equity-accounted investees comprise investments in associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Such investments are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, these individual financial statements include the Group's share of the profit or loss and other comprehensive income of associates on an equity-accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent Group's share in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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.

Earnings per share

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Group by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Group and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.The Group currently does not have dilutive potential ordinary shares, either from convertible notes or share options granted to employees.

Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the services are provided. The Company pays fixed social security contributions to State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect of retired employees.

Deferred Tax Liability on unremitted earnings

In Latvia legal entities are required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The Group has decided to use these beneficial tax regimes to reinvest profit in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in these countries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries for year 2021 and after in the foreseeable future: 5 year horizon is considered appropriate given the Group's planning cycle.Due to above mentioned reason, the Group has not recognized deferred tax liabilities

Provisions for asset retirement obligation

The nature of certain Group's businesses exposes the Group to risks of environmental costs and potential contingent liabilities. The risk arise from manufacture, storage, transport and sale of products that that may be considered to be contaminants when released into the environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the certain conditions are met.

The Group records the present value of the estimated future costs to settle its legal obligations to abandon, dismantle or otherwise retire tangible non-current non-financial assets in the period in which the liability is incurred. Provisions for asset retirement obligation (ARO) are recorded in the consolidated statement of financial position.

As the Group applies revaluation model for property and equipment, valuation of the property and equipment are kept sufficiently up to date such that the carrying amount of the asset does not differ materially from its fair value at the reporting date. The carrying amount of ARO must be reassessed at each financial reporting date. This includes taking into account new information and appropriateness of the discounts rate and other various assumptions, e.g inflation rate.

A change in the provision does not affect the valuation of the asset, because the value of the provision is excluded from the asset valuation. The change in the provision affects the revaluation difference recognised in equity between the value of property and equipment and the value that would have been recognised under the cost model. Changes in the provision affect the revaluation surplus or deficit previously recognised in respect of that asset. Changes resulting from the unwinding of the discount are recorded in profit or loss.
A decrease in the provision is recognised in other comprehensive income, except to the extent that it reverses a revaluation deficit previously recognised in profit or loss, or when it would result in the depreciated cost of the asset being negative. An increase in the provision is recognised in profit or loss, except to the extent that any credit balance remains in the revaluation surplus in equity.

In case ARO is changed, the Group is assessing possible necessity of revaluation of the asset.

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably.

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

ARO measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group's provisions for asset retirement obligation ("ARO") represents management's best estimate of the present value of costs that are expected to be incurred for oil installation decommissioning to the extent that Group is obliged to rectify damage already caused. Based on the current projected retail station life, these costs are not expected to be realised until 5-40 years' time with the average remaining lifetime being 23 years (2020: 22 years).

At the end of 2021, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 855 010 as of 31 December 2021. The update was prepared by management and resulted in a net increase of EUR 66 088 from the ARO at 31 December 2020 of EUR 669 721.

As at 31 December 2021, the estimated undiscounted ARO obligation is EUR 881 158 (2020 – EUR 753 367). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as at 31 December 2021, the Group used an inflation rate of 2.00% (2020: 2.00%) and a discount rate of 0.12% (2019: -0.19%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year German government bond yield representing the long term risk free interest rate. The assessment is particularly sensitive to the inflation assumption. Should the long-term inflation estimate increase to 3% from the 2% used in the assumption, the ARO provision would increase by EUR 297 321 (2020: EUR 256 060). Should the long-term inflation estimate decrease to 1% from the 2% used in the assumption, the ARO provision would decrease by EUR 215 766 (2020: EUR 189 460).

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents the risk of default.

According to the Group's accounting policies and disclosure requirements fair value should be determined for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is classified into different levels of the fair value hierarchy based on the data used in the measurement approaches:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and disclosure purposes based on the below methods. Where necessary, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Impairment

(a) Financial assets

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are then classified as non-current assets.

Purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Amortized cost category consists of liquid funds, trade receivables and other financial investments (loan receivables - where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest, and investment in associate).

Financial assets recognized at amortized cost are valued using the effective interest method. Assets at fair value through profit or loss consists of equity investments. Gains or losses of the equity investments are included in financial income and expenses.

Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents include cash in hand and bank and other highly liquid investments with original maturities of three months or less.

The Group recognises an allowance for expected credit losses (Further ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if relevant.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets where the Group calculates ECL are:
• Trade receivables and other receivables
• Loans to associate
• Cash at bank

EUR

Liquid funds

	31.12.2021	**31.12.2020**
Cash and cash equivalents	6 398 863	3 676 615

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note Financial risk management sets out more information about credit risk. All cash equivalents are on demand deposits with reputable credit institutions in Republic of Latvia. These credit institutions are either investment grade or subsidiaries of investment grade credit credit institutions. Therefore impairment for liquid funds has not been recognized because the amount is assessed as immaterial both due to on demand nature and the high creditworthiness of the counterparties.

Trade receivables and other receivables

	31.12.2021	**31.12.2020**
Trade receivables	12 441 129	8 866 654
Due from related parties	6 513	41 060
Other receivables	504 402	145 548
Accrued income	265 859	105 544
Total trade receivables	**13 217 903**	**9 158 806**

The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Impairment process is based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. The impairment or credit loss is recognized in the consolidated statement of income within other expenses. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note Financial risk management.

Other financial investments

	31.12.2021	**31.12.2020**
Loan to an associate	278 400	303 200
Total other financial investments	**278 400**	**303 200**

The fair value of non-current Other financial invetments is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables. The associates financial position is assessed as strong with debt instruments having been amortised while its property assets are leased out to the Group on agreements that fully support the associates ability to repay its creditors.

(b) Non- financial assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets and property, plant and equipment are always tested for impairment, when there is any indication that an asset may be impaired. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognized as an expense immediately and the carrying amount is reduced to the asset's recoverable amount. The amounts recoverable from cash generating units' operating activities are determined based on value in use calculations. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the estimated future operating cash flows and discount rates.

Contingent liabilities and assets

Contingent liabilities are not recognised in these consolidated 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 consolidated financial statements to the extent that there is reasonable likelihood that the Group will receive an inflow of economic benefits related to the transaction.

Revenue recognition

Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The group principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

The transaction price is the amount of consideration to which the group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised. Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.

Sale of oil products contains fuel product sales in wholesale and retail stations. Excise taxes included in the retail selling price of finished oil products are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in Cost of oil products and goods.

Retail sale of goods contains catering and sales of consumer products at Virsi fuel stations besides oil products.

Corporate income tax

Based on the Law on Corporate Income Tax of the Republic of Latvia the tax rate is 20%, the taxation period is one month and the taxable base, determined by dividing the value of the taxable item by a factor of 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (Council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it will be possible to utilise 15% these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%. It will be possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

Deferred income tax is provided in full, using the liability method, on taxes carried forward losses and any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Under the initial recognition exception, deferred tax is not initially recognized for an asset or liability in transactions a business combination if the transaction, when initially recognized, does not affect profit for financial or tax purposes. Deferred tax liabilities are not recognized for temporary differences on the initial recognition of goodwill and subsequently for goodwill non-deductible for tax purposes. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and is expected to be effective in the periods in which the temporary differences reverse or are used to carry forward.losses. Deferred tax is calculated at the rate applicable to retained earnings until a decision is taken on profit distribution. Thus, in Latvia where income tax is payable on distributed profits (such as dividends), the deferred tax liabilities or assets are recognized using the tax rate applicable to retained earnings.

When applicable, deferred tax is recognized at the Group level using the expected tax rate of the future dividend. Deferred tax assets and liabilities are mutually exclusive excluded only within the same company of the Group and only if certain criteria are met. Deferred tax asset in respect of temporary differences and tax losses carried forward is recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

The carrying amount of the deferred tax asset, if any, is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profits will be available against which the deferred income tax can be utilized realization of the asset. Future taxable profits and possible amounts of tax benefits are estimated, on the basis of medium-term financial forecasts prepared by management and their extrapolated results. The financial forecast is based on management forecasts that are reliable and reasonable in the circumstances.

Significant accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

- *Measurement of fair value of Property and Equipment*

More detailed description of fair value measurement is disclosed in Note 1 heading Property and Equipment (ii) Fair value of property and equipment. Also refer to Note 10;

- *Expected Credit Loss determination*

More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 28;

- Provisions for asset retirement obligation

More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 19;

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
Sales of goods in convenience stores		33 153 816	26 007 521
Energy		189 344	-
Other income		2 344 363	2 319 581
	TOTAL:	**220 881 534**	**171 430 847**

By geographic market		2021	2020
Latvia		219 786 406	170 203 761
Other		1 095 128	1 227 086
	TOTAL:	**220 881 534**	**171 430 847**

Contract liabilities under Trade and Other payables		31.12.2021	31.12.2020
Advances received		315 538	233 224
	TOTAL:	**315 538**	**233 224**

Accrued income recognised is due from retail business partnes for volume discounts in period, as well revenue from marketing activities. Revenue will be received during following quarter depending on compensation period contracted.

The Contract liabilities included in Trade and Other payables primarily relates to the advance consideration received from customers for deliveries of fuel. This will be recognised in revenue when goods are delivered.

No information is provided about remaining performance obligations as at 31 December 2021 or as at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

3. Cost of sales

	2021	2020
Cost of oil products and goods	193 380 866	147 901 961
Depreciation and amortisation	95 671	87 803
Personnel expenses	124 218	92 282
Other costs related to property	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:	**195 020 016**	**149 725 503**

4. Selling expenses

	2021	2020
Personnel expenses	9 139 501	7 573 799
Depreciation and amortisation	3 336 780	2 898 053
Other costs related to property	136 863	49 911
Maintenance and repairs of infrastructure	2 077 927	1 707 233
Marketing expenses	634 370	586 187
Transport	1 149 304	880 309
Other expenses	1 005 698	819 826
TOTAL:	**17 480 443**	**14 515 318**

5. Administrative expenses

	2021	2020
Personnel expenses	1 324 312	1 291 334
Depreciation and amortisation	195 747	181 279
Other costs related to property	9 033	13 825
Maintenance and repairs of office	36 198	40 094
Transport	92 385	75 661
Professional services *	377 920	196 572
Other expenses	90 651	103 737
TOTAL:	**2 126 246**	**1 902 502**

* including total remuneration paid to certified auditors:

	2021	2020
SIA KPMG Baltics for audit of consolidated financial statements	71 654	45 600
SIA Deloitte Latvia for other expert engagements	18 750	36 300
SIA Potapoviča un Andersone for other expert engagements	-	9 000
SIA KPMG Baltics for other expert engagements	-	7 700
TOTAL:	**90 404**	**98 600**

EUR

6. Other operating income

	2021	2020
Recovery of written-off/doubtful receivables	-	152 245
Income from an insurance compensation received	*84 794*	*13 276*
Gain on currency exchange fluctuations, net	*9 362*	-
Other operating income	7 867	21 154
TOTAL:	**102 023**	**186 675**

7. Other operating expenses

	2021	2020
Loss from sales of property and equipment, net, incl:	12 491	252 279
Revenue from sales of property and equipment	*(50 576)*	*(577 864)*
Non-amortised value of disposed property and equipment	*63 067*	*830 143*
Changes in doubtful debt allowances	*58 686*	*254 744*
Loss on currency exchange fluctuations, net	-	10 836
Donations	21 080	1 000
Bank charges	40 851	16 075
Other operating expenses	157 877	265 478
TOTAL:	**290 985**	**800 412**

8. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income
Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia.

	2021	2020
Current tax	18 980	1 837
TOTAL:	**18 980**	**1 837**

Reconciliation of effective tax rate
Current corporate income tax expenses for the years ending on 31 December 2021 and 31 December 2020 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

	2021	2020
Profit before corporate income tax	**6 682 423**	**4 189 014**
Theoretical tax at 20%	1 336 485	837 803
Expected distribution of retained earnings	(1 317 505)	(835 966)
Tax expenses	**18 980**	**1 837**

All retained profits of the Group for period until January 1, 2019, were distributed as dividends. Had all retained earnings been distributed as dividends at the reporting date the Group would have incurred a tax liability of EUR 5 158 377 at theoretical tax rate of 20%. In relation to potential deferred tax liabilities in subsidairies of the Group relating to retained earnings the management assessed that such profit distribution is not expected in the foreseeable future and thus no deferred tax laiblities were recognised.

EUR

9. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Creation of intangible assets	**TOTAL**
Historical cost				
As at 01 January 2020	**34 650**	**276 101**	**-**	**310 751**
Additions	35 208	54 371	83 541	173 120
Disposals	-	(360)	-	(360)
Reclassifications	51 501	32 040	(83 541)	-
As at 31 December 2020	**121 359**	**362 152**	**-**	**483 511**
Additions	11 090	84 572	7 264	102 926
Disposals	(11 704)	-	-	(11 704)
Reclassifications	-	7 264	(7 264)	-
As at 31 December 2021	**120 745**	**453 988**	**-**	**574 733**
Accumulated amortization				
As at 01 January 2020	**19 388**	**241 243**	**-**	**260 631**
Calculated amortization	12 931	67 775	-	80 706
Accumulated amortization of disposed assets	-	(360)	-	(360)
As at 31 December 2020	**32 319**	**308 658**	**-**	**340 977**
Calculated amortization	26 077	65 023	-	91 100
Accumulated amortization of disposed assets	(11 704)	-	-	(11 704)
As at 31 December 2021	**46 692**	**373 681**	**-**	**420 373**
Carrying amount				
As at 01 January 2020	15 262	34 858	-	50 120
As at 31 December 2020	89 040	53 494	-	142 534
As at 31 December 2021	**74 053**	**80 307**	**-**	**154 360**

EUR

10. Fixed assets

	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							
As at 01 January 2020	**44 470 279**	**1 171 860**	**6 787 845**	**3 980 603**	**1 466 516**	**241 555**	**58 118 658**
Additions	1 235 556	33 642	623 244	931 811	3 848 500	235 827	6 908 580
Reclassifications	2 838 196	88 404	856 232	312 039	(3 869 179)	(225 692)	-
Revalued portion of disposed property and equipment	(187 506)	-	-	-	-	-	(187 506)
Cost of disposed fixed assets	(588 038)	-	(481 675)	(328 036)	-	-	(1 397 749)
As at 31 December 2020	**47 768 487**	**1 293 906**	**7 785 646**	**4 896 417**	**1 445 837**	**251 690**	**63 441 983**
Additions	3 519 765	198 449	1 008 423	1 302 237	7 121 043	571 337	13 721 254
Reclassifications	5 328 167	126 846	1 629 416	372 220	(6 741 822)	(714 827)	-
Cost of disposed fixed assets	-	-	(119 252)	(181 332)	-	-	(300 584)
As at 31 December 2021	**56 616 419**	**1 619 202**	**10 304 233**	**6 389 542**	**1 825 057**	**108 200**	**76 862 653**
Accumulated depreciation and impairment							
As at 01 January 2020	**4 550 478**	**258 797**	**3 268 568**	**1 994 420**	**-**	**-**	**10 072 263**
Depreciation, depreciation of the revalued part*	1 068 734	120 366	569 018	775 464	-	-	2 533 582
Reclassifications	-	-	1 870	(1 870)	-	-	-
Accumulated depreciation of the revalued portion of disposed property and equipment	(6 027)	-	-	-	-	-	(6 027)
Accumulated depreciation of disposed property and equipment	(63 746)	-	(384 647)	(313 287)	-	-	(761 680)
As at 31 December 2020	**5 549 439**	**379 163**	**3 454 809**	**2 454 727**	**-**	**-**	**11 838 138**
Depreciation, depreciation of the revalued part*	1 178 595	135 846	707 035	978 842	-	-	3 000 318
Impairment**	539 561	-	-	-	-	-	539 561
Accumulated depreciation of disposed property and equipment	(516)	-	(100 570)	(160 248)	-	-	(261 334)
As at 31 December 2021	**7 267 079**	**515 009**	**4 061 274**	**3 273 321**	**-**	**-**	**15 116 683**
Carrying amount							
As at 01 January 2020	39 919 801	913 063	3 519 277	1 986 183	1 466 516	241 555	**48 046 395**
As at 31 December 2020	42 219 048	914 743	4 330 837	2 441 690	1 445 837	251 690	**51 603 845**
As at 31 December 2021	**49 349 340**	**1 104 193**	**6 242 959**	**3 116 221**	**1 825 057**	**108 200**	**61 745 971**

* On 30 December 2019 the Group revalued property and equipment under category Land, buildings and engineering structures to fair value. The result of revaluation (appreciation) was recorded in the accounting records of the Group 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. The management believes the fair value at the end of 2020 and 2021 was not materially different from the carrying amount. During 2021, significant changes in value were identified in property and equipment against fair value

The carrying amount of Land, buildings and engineering structures, had it been presented at fair value as at 31 December 2021, would have been EUR 29 700 829 (in 2020: EUR 21 504 589) if the entire category was been accounted using the cost method.

**On 30 June 2021 the Group recognized impairment of two properties due to the decrease in operations in two gasoline stations as a result of COVID-19 pandemic. The Group applied value in use calculation with key assumptions being that revenue will stay flat over the next five years, and the WACC rate between 14,5% and 18,5%.

All fixed assets under “Land, buildings and engineering structures” represent Level 3 fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of Land, buildings and engineering structures, as well as the significant unobservable inputs used for 2019:

EUR

Type	Fair value, EUR (2019-2021)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	35 705 500	Discounted cash flows	- Discount rate ranging from 13% to 19.5% - Gross revenue assumption in year one for fuel sales from EUR 50 thousand to EUR 381 thousand - Gross revenue assumption in year one for store sales from EUR 13 thousand to EUR 256 thousand - Revenue growth from year 3 or 4 1.0% - 2.0% 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 / railway network	2 005 000	Discounted cash flows / capitalisation of lease revenue	- Discount rate 17.5% - Capitalisation rate 8.5% - Rent of 0.14 EUR/m^2 (land) to 3.0 EUR/t (fuel) - Occupancy rate 40-95% p.a. - Revenue growth from year 2 1.0% - 2.0% p.a.	Market value may increase (reduce) if: - Discount / capitalisation rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).
Commercial buildings / land plots	45 000	Discounted cash flows / The Sales Comparison Approach	- Discount rate 12.0% - Rent 0.80 - 2.50 EUR/m^2 - Occupancy rate 65 - 90% p.a. - Revenue growth from year 3 0.5% - 1.5% p.a. - Comparable properties sales prices 35 – 72 EUR/sqm.	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).

11. Movements in right-of-use assets

The right-of-use asset was recognised according to IFRS 16 Leases.

	Leased Equipment and machinery	Leased real estate property	Total leased assets
Historical cost			
As at 01 January 2020	**1 466 044**	**1 823 722**	**3 289 766**
Additions	456 345	-	456 345
Cost of disposed fixed assets	(36 948)	-	(36 948)
As at 31 December 2020	**1 885 441**	**1 823 722**	**3 709 163**
Additions	626 572	243 299	869 871
Cost of disposed fixed assets	(73 498)	-	(73 498)
Write-offs	-	(27 845)	(27 845)
As at 31 December 2021	**2 438 515**	**2 039 176**	**4 477 691**
Accumulated depreciation and impairment			
As at 01 January 2020	**629 220**	**235 150**	**864 370**
Charge for the period	317 698	235 150	552 848
Accumulated depreciation of disposed property and equipment	(24 353)	-	(24 353)
As at 31 December 2020	**922 565**	**470 300**	**1 392 865**
Charge for the period	297 962	238 818	536 780
Accumulated depreciation of disposed property and equipment	(67 373)	-	(67 373)
As at 31 December 2021	**1 153 154**	**709 118**	**1 862 272**
Balance as at 1 January 2020	**836 824**	**1 588 572**	**2 425 396**
Balance as at 31 December 2020	**962 876**	**1 353 422**	**2 316 298**
Balance as at 31 December 2021	**1 285 361**	**1 330 058**	**2 615 419**

12. Investment in associate

From 1 July 2016 the Group holds a 30% interest in SIA Gulf Petrol RE and on 27 December 2021 the Group made an investment in SIA GasOn and with the investment the parent company AS Virši-A holds a 30% interest in SIA Gulf Petrol RE.

The investment in the associated company is carried according to the equity method.

SIA Gulf Petrol RE	31.12.2021	31.12.2020
Ownership interest in the associate	**30%**	**30%**
Non-current assets	1 114 161	1 183 314
Current assets	42 075	42 802
Non-current liabilities	(919 700)	(998 100)
Current liabilities	(36 714)	(37 496)
Net assets	**199 822**	**190 520**
Share in Net asset value (30%)	**59 947**	**57 156**
Turnover	113 300	113 300
Comprehensive income, net	9 302	8 666
Group's share in comprehensive income (30%)	**2 791**	**2 600**
Retained profits (30%)	15 096	12 496
Investment in associate, nominal	**42 060**	**42 060**
Investment in associate, net	**59 947**	**57 156**

SIA GasOn	31.12.2021 (invested on 27.12.2021)	31.12.2020
Ownership interest in the associate	**30%**	**30%**
Non-current assets	6 102 061	-
Current assets	746 762	-
Non-current liabilities	(1 015 247)	-
Current liabilities	(833 576)	-
Net assets	**5 000 000**	**-**
Share in Net asset value (30%)	**1 500 000**	**-**
Turnover		-
Comprehensive income, net	-	-
Group's share in comprehensive income (30%)	-	**-**
Retained profits (30%)	**-**	-
Investment in associate, nominal	-	**-**
Investment in associate, net	**1 500 000**	**-**

EUR

13. Inventories

	31.12.2021	31.12.2020
Auxiliary materials	449 187	104 342
Fuel	8 993 977	3 136 472
Other goods	1 932 382	2 124 002
Prepayments for inventories	423 931	77 588
TOTAL:	**11 799 477**	**5 442 404**

In the reporting period, the net realisable value of inventories was equal to the carrying amount. No provisions are recognised for impairment of inventories.

14. Trade receivables

	31.12.2021	31.12.2020
Carrying amount of trade receivables	12 961 575	9 377 607
Impairment allowance	(520 446)	(510 953)
TOTAL:	**12 441 129**	**8 866 654**

Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		31.12.2021			**31.12.2020**	
Not past due	0.1%	11 806 708	11 807	0.1%	8 145 221	8 145
Overdue by 1-30	0.2%	570 089	1 140	0.2%	629 853	1 260
Overdue by 31-60	0.9%	93 068	838	0.9%	108 424	976
Overdue by 61-90	3.2%	39 793	1 273	3.3%	39 297	1 297
Overdue by 91-180	6.2%	9 981	619	6.6%	28 811	1 902
Overdue by 181-360	12.9%	-	-	14.3%	55 338	7 913
Overdue by> 360	100.0%	441 936	441 936	100.0%	370 663	370 663
Total		**12 961 575**	**457 613**		**9 377 607**	**392 156**
Individual allowance			62 833			118 797
Total doubtful debt allowance			**520 446**			**510 953**

Impairment allowance for trade receivables as at 31.12.2020	**510 953**
Additions	59 509
Release of allowances due to write-offs	(50 016)
Impairment allowance for trade receivables as at 31.12.2021	**520 446**

Impairment allowances are assessed by the Group based on the ECL rate and valuation of individual debtors. The increase in allowances in 2021 is related to the increase in the overall amount of receivables and an increase in receivables overdue by more than 360 days.

15. Cash and cash equivalents

	31.12.2021	31.12.2020
Cash in bank and on hand	5 750 581	3 264 827
Money in transit	648 282	411 788
TOTAL:	**6 398 863**	**3 676 615**

16. Share capital and reserves

Share capital

Share capital of the Group in 2021 is EUR 7 545 605 (2020: EUR 6 677 860), comprised of 15 091 699 shares (2020: 47 699). Nominal value per share is EUR 0.50 (2020: EUR 140). All shares are fully paid up. Increase in the share capital in 2020 is described below on legal restructuring.

During 2020 and 2021, reorganisation was carried out in AS "Virši-A " and its Group companies. In 2020, the Group received a capital contribution in the way of shares of two related parties SIA Viršu nekustamie īpašumi and SIA Virši loģistika, which resulted in the creation of Virsi Group.

The shareholders invested 100% shares of subsidiaries in Parent as a contribution in kind. The investment was valued by external valuaters and their valuation results laid the basis for recognising the increase in share capital.

During 2021 and 2020 dividends were not distributed from retained earnings brought forward from previous years but during 2021 the Group's shareholders confirmed the dividend policy and set the amount of dividends distributable of up to 20% from the consolidated profit of the previous financial year.
The management suggests that the shareholders distribute 20% or EUR 1 323 153 of profit of 2021 during 2022.

Earnings per share

The calculation of earnings per share before and after dilution has been based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding.

	2021	2020
Profit for the year, attributable to the owners of the Company	6 615 767	4 187 177
Weighted average number of shares	*13 593 458*	*13 355 720*
Earnings per share	0.49	0.31

The calculation of earnings per share after dilution has been based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding, adjusted by the share option programme impact.

	2021	2020
Profit for the year, attributable to the owners of the Company	6 615 767	4 187 177
Weighted average number of shares	*13 601 346*	*13 355 720*
Earnings per share	0.49	0.31

Legal restructuring

In 2020, due to a legal restructuring of entities under common control the number of shares in 2020 increased from 6 504 to 47 699. However, since the financial statements have been prepared in a way that presents the Group having formed prior to 1 January 2019, then effectively the contribution in kind of the subsidiaries did not result in an increase of economic resources. Therefore, the number of shares outstanding in both periods has been adjusted to reflect the final number of shares outstanding to reflect no change in resources to the Group.

Denomination, issue and IPO of shares

In 2021, before the initial public offering (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 Group's development outlook and historical performance the shareholders decided to launch the initial public offering (IPO), which resulted in the issue of shares 1 735 489 shares. The IPO helped the Group attract new capital of EUR 7 792 346. The share premium is EUR 3.99. The IPO related expenses in the amount of EUR 566 074 were subtracted from the total capital attracted, the total amount of new capital attacted resulted in EUR 7 226 272.

Share options

Alongside the IPO the Group management developed a new share option programme aimed at supporting growth through motivating senior management and appreciating the contribution of long-term employees.

Revaluation reserve

The revaluation reserve relates to Land, buildings and engineering structures valuation at fair value.

	31.12.2021	31.12.2020
Revaluation reserve from Land, buildings and engineering structures revaluation	19 648 511	20 714 459
	19 648 511	**20 714 459**

Balance at 01.01.2020	**21 603 544**
Changes in revaluation reserves	(768 611)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	*(768 611)*
Provisions for asset retirement obligation (Note 19)	(120 474)
Balance as at 31.12.2020	**20 714 459**
Changes in revaluation reserves	(1 123 035)
Revaluation of Land, buildings and engineering structures (Note 10)	*(539 561)*
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	*(583 474)*
Provisions for asset retirement obligation (Note 19)	57 087
Balance as at 31.12.2021	**19 648 511**

Other reserves

During 2020, the Group's legal structure was reorganized. On 15 September 2020 shareholders made an in-kind contribution into the share capital of the Parent Company by investing shares of a number of companies. Prior to the contribution, all these entities were under common control. As all these entities were under common control it was decided to present these consolidated financial statements as if the Group had been formed prior to 1 January 2019. When the in-kind contribution was made in 2020 the increase in the registered share capital was determined based on the fair value of the entities determined by an independent appraiser. However, the consolidated financial statements of the Group subsidiaries were incorporated in these consolidated financial statements based on the accounting principles described in Section *Summary of significant accounting policies*. Therefore, upon the legal reorganisation an increase in the share capital was recorded and a corresponding decrease to other reserves in the amount of EUR 5 764 520 was recorded.

During 2021 the Group developed an employee share option programme and diverted EUR 33 356 to other reserves to pay share capital at the date of conversion.

Balance at 01.01.2020	**1 558 481**
Contribution via non-interest bearing shareholder loans	(5 764 520)
Balance as at 31.12.2020	**(4 206 039)**
Changes due to legal reorganisation	33 356
Balance as at 31.12.2021	**(4 172 683)**

17. Loans from credit institutions

Long-term	31.12.2021	31.12.2020
Loan from a credit institution registered in the Republic of Latvia	14 459 648	8 833 223
Including:		
Long term part of loans repayable in up to 5 years	*14 459 648*	*8 833 223*
Long term part of loans repayable after 5 years until maturity	-	-
Short-term	31.12.2021	31.12.2020
Loan from a credit institution registered in the Republic of Latvia	**2 382 759**	**2 143 482**
TOTAL:	**16 842 407**	**10 976 705**

During 2021, the Group obtained a loan of EUR 8.0 million to expand and modernise the network of filling stations, incl. that of CNG stations (in 2020: EUR 2.0 million).

As at the reporting date the Group has access to an unutilized credit line facility which is prolonged on an annual basis. The facility limit is EUR 2.0 million.

All loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.55 % to 1.80%.

The loans are secured by mortgages of underlying real estate properties (filling stations with all equipment), a commercial pledge, a financial pledge and guarantees by group companies and shareholders.

Loan covenants:

- According to the contracts, the Group should provide credit institutions with their annual reports, pro-forma balance sheets, income statements, statements of cash flows and insurance policies of mortgaged properties. These covenants are met.
- The DSCR ratio should be at least 1.20, Net Debt/EBITDA should not exceed 3.00. These ratios are complied with.
- A certain turnover should be ensured in the accounts with the financing credit institution and POS terminals should be installed. These covenants are complied with.

18. Other loans

Long term:	31.12.2021	31.12.2020
Interest-free, unsecured loan from the shareholders	6 082 854	6 624 790
TOTAL other long-term loans:	**6 082 854**	**6 624 790**
Short term:		
Interest-free, unsecured loan from the shareholders	700 000	1 000 000
TOTAL other short-term loans:	**700 000**	**1 000 000**
TOTAL other loans:	**6 782 854**	**7 624 790**
Nominal value total:		
Interest-free, unsecured loan from the shareholders	*7 856 101*	*8 915 531*

Shareholder loans are carried at fair value using the discounted cash flow method with the difference between the nominal and fair value recognised under Other reserves. Finance expenses include interest expenses on the loan at fair value. The term structure of shareholder loans is disclosed according to budgeted cash flow and according to effective loan agreements, and according to covenants of the loan agreement with a financial institution.

19. Provisions for asset retirement obligation

Balance as at 31 December 2019 (unaudited)	**669 721**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	*120 474*
Provision made during the period	31 733
Change in discount rate	91 177
Change in estimates	(2 436)
Unwinding of discounting	*(1 273)*
Balance as at 31 December 2020	**788 922**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	*65 141*
Provision made during the period	122 228
Change in discount rate	(69 560)
Change in estimates	12 473
Unwinding of discounting	*947*
Balance as at 31 December 2021	**855 010**

The Group's accounting policy concerning the asset retirement obligation refer to Note 1.

20. Lease liabilities

IFRS 16 Leases was adopted using the modified retrospective approach rather than the full adoption approach.
Lease liabilities arise from right-of-use assets disclosed on the balance sheet under Right-of-use assets (Note 11).

EUR

The present value of future lease payments is calculated using the effective interest rate applicable to the specific category of property and equipment in the reporting period. The average rate is 2.17% p.a.

Balance as at 1 January 2020	**2 274 659**
Recognised modifications in lease contracts	492 576
Repayment of lease liabilities	(674 196)
Recognised interest expenses on lease	44 339
Interest paid	(44 339)
Balance as at 31 December 2020, including:	**2 137 378**
Non-current lease liabilities	*1 607 622*
Current lease liabilities	*529 756*
Balance as at 31 December 2020	**2 137 378**
Recognised modifications in lease contracts	941 569
Repayment of lease liabilities	(767 223)
Recognised interest expenses on lease	40 472
Interest paid	(40 472)
Balance as at 31 December 2021, including:	**2 352 196**
Non-current lease liabilities	*1 706 813*
Current lease liabilities	*645 383*

	Carrying amount	Contractual cash flows (undiscontd.)
As at 31 December 2020		
Lease liabilities, including:	**2 137 377**	**2 278 454**
Amount payable within one year, i.e. current lease liabilities	*529 756*	*562 991*
Amount payable within 2- 5 years	*1 057 532*	*1 125 926*
Amount payable in more than 5 years	*550 089*	*589 537*
As at 31 December 2021		
Lease liabilities, including:	**2 352 196**	**2 492 349**
Amount payable within one year, i.e. current lease liabilities	*645 383*	*683 607*
Amount payable within 2- 5 years	*1 261 801*	*1 332 829*
Amount payable in more than 5 years	*445 012*	*475 913*

	2021	2020
Leases		
Interest on lease liabilities	40 473	44 339
Expenses relating to short-term leases	373 371	364 180
	413 843	**408 519**

Amounts recognised in statement of cash flows

Total cash outflow for leases 2021	767 223
Total cash outflow for leases 2020	651 875

EUR

21. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount 1 January 2020	**9 664 819**	**8 330 231**	**2 274 659**	**20 269 709**
Loan principal repaid	(2 009 274)	(940 000)	-	(2 949 274)
Lease payments	-	-	(614 209)	(614 209)
Cash flows from financing activities	***(2 009 274)***	***(940 000)***	***(614 209)***	***(3 563 483)***
New loans from credit institutions	3 321 160	-	-	3 321 160
New lease liabilities	-	-	443 750	443 750
Interest expenses	220 661	-	11 160	231 821
Financial expenses including unwiding of discount	-	234 559	33 179	267 738
Interest paid	(220 661)	-	(11 160)	(231 821)
Total changes in liabilities	1 311 886	(705 441)	(137 280)	469 165
Carrying amount 31 December 2020	**10 976 705**	**7 624 790**	**2 137 379**	**20 738 874**
Loan principal repaid	(2 134 298)	(1 059 430)	-	(3 193 728)
Lease payments	-	-	(756 781)	(756 781)
Cash flows from financing activities	***(2 134 298)***	***(1 059 430)***	***(756 781)***	(3 950 509)
New loans from credit institutions	8 000 000	-	-	8 000 000
New lease liabilities	-	-	941 569	941 569
Interest expenses	243 320	-	10 442	253 762
Financial expenses including unwiding of discount	-	217 494	30 029	247 523
Interest paid	(243 320)	-	(10 442)	(253 762)
Total changes in liabilities	5 865 702	(841 936)	214 817	5 238 583
Carrying amount 31 December 2021	**16 842 407**	**6 782 854**	**2 352 196**	**25 977 457**

Finance expenses:

	2021	2020
Interest expense from unwinding the discount on a shareholder loan	217 494	234 559
Interest expenses for bank loans	243 320	220 661
Interest expenses for a lease	40 472	44 339
Other financial expenses	947	6
TOTAL:	**502 233**	**499 565**

22. Accrued liabilities

	31.12.2021	31.12.2020
Due to suppliers	1 402 079	1 163 461
Due to personnel	523 965	510 935
TOTAL:	**1 926 044**	**1 674 396**

EUR

23. Expenses by nature

	2021	2020
Cost of materials	193 380 866	147 901 961
Employee payroll and benefits	10 588 031	8 957 415
Depreciation and amortisation	3 628 198	3 167 135
Property and maintenance expenses	2 303 762	1 849 713
Logistics	1 313 586	998 524
Marketing	634 370	586 187
Finance income and expenses	(568 880)	484 773
Consultancy	377 930	196 572
Other	2 588 934	3 101 390
TOTAL:	**214 265 766**	**167 243 670**

24. Tax liabilities and tax assets

	31.12.2021	31.12.2020
Social security contributions	240 707	223 864
Personal income tax	110 503	93 261
Excise tax	2 658 398	2 563 316
Corporate income tax	18 980	(13 982)
Value added tax	363 715	523 646
Natural resources tax	715	786
Real estate tax	(370)	(2 201)
Company car tax	48	195
Business risk state duty	783	-
Total tax liabilities:	**3 393 849**	**3 405 068**
TOTAL tax receivables:	**(370)**	**(16 183)**

Tax receivables are represented by Corporate income tax receivable and Real estate tax receivable. Reasl estate tax receivable is part of Other assets caption of the balance sheet as at 31 December 2020.

25. Personnel costs and number of staff

	2021	2020
Remuneration	8 590 139	7 232 773
Compulsory state social security contributions	1 997 892	1 724 642
Expenses for reporting period include:		
Other personnel cost	54 766	318 490
TOTAL:	**10 642 797**	**9 275 905**

EUR

Including remuneration to key management

		2021	2020
Members of the Board and Council			
Remuneration		511 377	344 150
Social security contributions		120 515	82 548
	TOTAL:	**631 892**	**426 698**

Average number of employees in the reporting year:

		2021	2020
Members of the Council		6	3
Members of the Board		3	5
Other staff		631	552
	TOTAL:	**640**	**560**

26. Financial commitments, guarantees or other contingencies

The Group companies are not involved in litigation proceedings dealing with claims raised against AS Virši-A or its subsidiaries. The Group has raised claims against debtors to recover receivables and there are ongoing litigations. Any recoveries obtained from litigation are recognised as revenue as received.

As at the reporting date there are no significant financial commitments, guarantees or other contingencies, except those referred to above.

27. Related party transactions

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

		Transactions in the period ended		Balance outstanding	
Related party:	Description of transaction	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Associate					
Balances	Loan to an associate	-	-	278 400	303 200
Balances	Accrued interest	-	-	527	574
Balances	Right-of-use assets	-	-	521382	627 538
Balances	Lease liabilities	-	-	(538 978)	(641 079)
Comprehensive income	Interest income	6 419	6 994	-	-
Comprehensive income	Interest expenses	(10 700)	(12 520)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	203 243	39 381
Balances	Receivable for services	-	-	6 513	1 679
Balances	Payble for services	-	-	-	(24 796)
Comprehensive income	Income from agent services	55 797	18 320	-	-
Comprehensive income	Fuelling services	(5 576 343)	(1 822 233)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(6 782 854)	(7 624 790)
Comprehensive income	Interest expenses	(217 494)	(234 559)	-	-

EUR

Members of the Board and Council					
Balances	Remuneration payable	-	-	(21 047)	(19 308)
Balances	Compulsory state social security payable	-	-	(7 100)	(4 651)
Comprehensive income	Remuneration	(511 377)	(344 150)	-	-
Comprehensive income	Social security contributions	(120 515)	(82 548)	-	-

For management remuneration please refer to Note 25.

28. Fair value of financial assets and liabilities

Financial assets and liabilities not measured at fair value

The table below analyses the fair values of financial assets and liabilties not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	278 400	278 400
Trade receivables	-	-	-	12 441 129	12 441 129
Cash and cash equivalents	-	-	-	6 398 863	6 398 863
Financial liabilities					
Loans from credit institutions	-	-	18 001 290	18 001 290	18 833 223
Other loans	-	-	6 774 153	6 774 153	6 774 153
Trade and other payables	-	-	16 767 329	16 767 329	16 767 329

Other financial invetments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

As at 31 December 2020	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	303 200	303 200
Trade receivables	-	-	-	8 866 654	8 866 654
Cash and cash equivalents	-	-	-	3 676 615	3 676 615

Other financial invetments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

Financial liabilities					
Loans from credit institutions	-	-	10 645 167	10 645 167	10 976 705
Other loans	-	-	7 624 790	7 624 790	7 624 790
Trade and other payables	-	-	-	9 593 592	9 593 592

The table below sets out the valuation techniques used to measure Level 3 fair value, as well as the most significant unobservable inputs for assets and liabilities, where fair value adjustment is applied:

Type	Valuation approach	Significant unobservable data
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions are described in Note 15.
Other loans	Discounted cash flow, NPV	It is assumed that the loan repayment structure is in line with budgeted cash flows and bank loan covenants. The discount rate is based on the weighted average discount rate for non-banking institutions during the loan issue period, reported by the Bank of Latvia evaluated against the cost of funds for collateralised borrowings of the Group.
Lease liabilities	Discounted cash flow, IFRS 16	Lease liabilities are calculated according to IFRS 16; discount rates are applied according to the type of leased asset and available financing rate for specific assets from financial institutions.

29. Management of financial risks

The Group is exposed to financial risks. Financial risks include market risk, credit risk and liquidity risk. Below is a description of each of these financial risks and a summary of the methods used by the Group to manage these risks. Exposure to those risks arises in the normal course of the Group's business.

The Group's financial assets and liabilities, including, trade receivables, inventories, cash and cash equivalents, loans, trade payables are exposed to financial risk as follows:

- Market risk: risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, including interest rate risk and currency risk;
- Credit risk: risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties and any debtors to which Group is exposed, in the form of counterparty default risk, or market risk concentrations;
- Liquidity risk: risk that the Group is unable to realise its assets in order to settle its financial obligations when they fall due.

Market risk

Currency risk and revaluation

The functional and reporting currency of the Group is Euro (EUR), the national currency of the European Union. The objective of foreign exchange risk management in ViršI group is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by contracting transactions in Euro or hedging currency risks in contracted. 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.

There are no assets in foreign currencies as at the reporting date.

Interest rate risk

The Group is exposed to a interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.

To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing.

A reasonably possible change of 100 basis points in interest rates at 31 December 2021 and 2020 would have increased (decreased) profit (loss) before taxes by +/- EUR 145 465 (2019: +/- EUR 103 208). This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk that the Group 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.

Credit risk mainly arising from the potential failure of the counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure.

For the purposes of credit risk management, the Group'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.

The objective of credit policy and risk management is to minimize the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for credit and counterparty risk are covered in the Corporate risk management policy and separate principle and instruction level documents.

The amount of risk is quantified as the expected loss to Group in the event of a default by the counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization, which are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Detailed disclosure and aging analysis provided in Trade receivebles disclosure of the consolidated Financial statement. (refer to Note 15.)

Financial instruments are used by the Group and it is potentially exposed to concentrations of credit risk which consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times. Group's liquidity is managed centralized and monitored on continuos basis. Target Net debt/ EBITDA ratio on consolidated basis is 1.5 – 2.5 and IFRS 16 unadjusted current ratio above 1.0.

COVID-19 pandemic did not have an effect on the Group's liquid funds and committed unutilized credit facilities.

The principal source of liquidity of the Group is expected to be cash generated from operations. In addition, the Group seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. (See also Note 17).

Certain other limits have also been set to minimize liquidity and refinancing risks.

As at 31 December 2021	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	18 833 223	19 654 647	1 313 765	1 468 002	3 554 236	6 019 672	3 384 919	3 914 052	-	-
Other loans	6 774 153	7 846 832	375 000	375 000	750 000	750 000	750 000	750 000	750 000	3 346 832
Trade and other payables	15 927 219	15 927 219	15 927 219	-	-	-	-	-	-	-
Accrued liabilities	1 926 044	1 926 044	1 926 044	-	-	-	-	-	-	-
Total financial liabilities	**44 300 749**	**46 194 852**	**20 382 138**	**1 843 002**	**4 304 236**	**6 769 672**	**4 134 919**	**4 664 052**	**750 000**	**3 346 832**

As at 31 December 2020	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	10 976 705	11 463 309	983 401	1 060 519	2 095 039	2 060 373	4 547 326	716 652	-	-
Other loans	7 624 790	8 915 531	393 333	606 667	750 000	750 000	750 000	750 000	750 000	4 165 531
Trade and other payables	9 593 592	9 593 592	9 593 592	-	-	-	-	-	-	-
Accrued liabilities	1 674 396	1 674 396	1 674 396	-	-	-	-	-	-	-
Total financial liabilities	**29 869 483**	**31 646 828**	**12 644 722**	**1 667 186**	**2 845 039**	**2 810 373**	**5 297 326**	**1 466 652**	**750 000**	**4 165 531**

Commodity price risk

Commodity price risks in the Group are affected by market prices for crude oil, renewable energy sources and the introduction of CNG in the market for natural gas and electricity. While the consumption of natural gas and electricity in the Group remained relatively low to the reporting date, the price of crude oil remained a significant driver behind the turnover and cost of products dynamics.

The price of crude oil is subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand globally and in the local market. The results of operations of the Group in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors drive operational performance and cash flows in the fuel business of the Group.

In order to offset the dependence on crude oil prices globally the Group has a number of measures in place – it owns a storage facility that helps mitigate short-term volatilities; sustainable fuel alternatives are being introduced in the market and the Group's portfolio (CNG, electricity); there is ongoing development of retail stores and catering in fuel stations. As a result, the proportion of growing operating profits in the portfolio is driven by crude oil products and the decreased price dependence.

Capital risk management

The Group's objective in the management of capital risk is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which it operates. Despite the fact that the Group does not have a public credit rating, the Group's target is to have a capital structure equivalent to an investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. The Group monitors its capital on the basis of the leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less liquid funds. Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio below 45%.

30. Profit distribution

The Board suggests that profit for the reporting year be retained undistributed and used for further development. The Shareholder' Meeting will decide on the distribution of profit.

31. 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 consolidated financial statements, the Group's financial ratios for 2022 are consistent with those planned in the budget for 2022 and the financial position is strong. The Group's management believes the Group 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.

On February 24, 2022, Russian Federation has started military operation in Ukraine, which has resulted in war at Ukraine. Countries around the world supports Ukraine by issuing financial and economic sanctions against Russia. The management of the Group has evaluated current situation with clients, suppliers and business processes – current situation for company is stable, but there is uncertainty related to related to neighbouring Russia further actions and extent of sanctions implied and its development in the future.

This conclusion is based on the information available as at the date of these consolidated 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 consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.

Riga, 28 February 2022

Jānis Vība Chairman of the Board	Linda Prūse Member of the Board	Vita Čirjevska Member of the Board
		Jeļena Laurinaviča Chief Accountant