VIRŠI

AS “Virši-A”

(Registration number 40003242737)

Condensed Consolidated Interim Financial Statements of AS Virši-A for the six-month period ended 30 June 2022 (unaudited)

prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

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

Group Management Report

Line of business

AS Virši-A, with its subsidiaries, is the largest local fuel trader with 100% Latvian capital (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 7 545 604.50 EUR and consists of 15 091 209 shares. Nominal value per share is 0.50 EUR. All shares are fully paid up. From 11 November 2021, the shares of AS VIRŠI-A are traded on the First North alternative market of Nasdaq Riga.

The Group's activities during the reporting period

In the first half of 2022, the Group successfully continued implementing its development strategy, which involved objectives such as the substantial expansion of the network, modernisation of filling stations and providing consistently high-quality products and services to its customers, as well as extending support to local producers by presenting them with the opportunity to place their products in stores of the Virši network. The aim of the Group since 2021 is to become a fully fledged energy company that offers its customers electricity and other energy products.

The Group's performance in the reporting period was strong and indicates the Group sustains purposeful development against the background of high market volatility. Net sales compared to 2021 increased by 60% or 57.9 million EUR supported by the further expansion and modernisation of the network of filling stations, development of the range of products in convenience stores, and a substantial increase in the market share and fuel prices. At the end of 2021, the Group operated 65 filling stations and during the first 6 months of 2022 the network was expanded by 3 more stations in Riga – Ulmaņa gatve, Torņkalns and Satekles iela. The retail market of fuel in Latvia grew by 2.2% in the first five months of 2022 in terms of tonnes sold, while that of the Group grew by 8.9%. Convenience store sales grew by 22.1% or 3.3 million EUR. June 2022 marked the end of the first year of the Group's operation on the electricity market supplying energy solutions to B2B clients and making targeted efforts to develop its offering to natural persons and the infrastructure solution. Net profit amounted to 5 589 087 EUR, representing growth of 113% compared to 2021. The Group's net profit margin increased to 3.6% (2021: 2.7%, calculated by dividing profit for the reporting year by net sales). EBITDA amounted to 6 633 475 EUR (2021: 4 495 338 EUR, calculated as Net earnings before Interest income and expenses, Corporate income tax, Depreciation and Amortisation for reporting period) growing by 6%.

Strategic development and investments

In 2022, the Group continued investing and promoting the availability of compressed natural gas (CNG) in the market as CNG is the most optimum solution to reduce the harmful emissions caused by lorries and as such the development of the CNG network helps Latvia achieve the objective of reducing the volume of harmful emissions in the transport sector. The network of AS Virši-A consists of 68 filling stations of which eight offer CNG and ten stations offer charging of electrical vehicles. During the first six months of 2022, the Group commenced an effort to significantly expand the network of EV charging facilities, their accessibility and improvement of quality. An innovative and quick EV charging station (of up to 80kW) was installed in Krustpils filling station, which was the first solution of this sort offered by the Virši brand.
Electricity and related products play a significant role in the Group's strategic development efforts. The Company has launched active collaboration with more than 30 electricity producers in Latvia (energy sources: water, solar, biomass, biogas) and conducts measures to improve efficiency and profitability in the wholesale market of electricity. Substantial efforts are being directed to the development of an electricity trading offer to households, which is planned to be introduced during the first six months of 2023.

Since the end of 2021, AS Virši-A has invested EUR 2.7 million into SIA GasOn seeking to promote the use of CNG in Latvia and to expand the mobile supply solution for natural gas, and to develop the infrastructure for production, logistics and trading of biomethane in Latvia in the nearest years.

In May 2022, AS Virši-A signed a contract on the acquisition of 20% shares of AS Skulte LNG Terminal, and announced plans to create a joint LNG terminal near the port of Skulte. This project is intended to increase the energy independence of Latvia and the Baltic region and to provide a significant contribution in diversification of natural gas supplies and further development of the natural gas market.

Total investments of the Group during the first six months of 2022 increased by 117.2% or more than 4.8 million EUR compared to the same period in 2021 and amounted to approximately 9 million EUR.

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.
In 2022, to ensure common understanding of how the business impacts the environment and of key challenges and targets for the Group a materiality analysis is performed for sustainability targets. Questions about key sustainability targets in oil products, energy and food retail industry and its sustainable development in Latvia were asked in direct interviews with the Group's stakeholders such as cooperation partners, investors, policy makers, the financial industry, academic environment, non-governmental sector and industry associations that have experience in collaboration with companies of these industries, and in policy making and attraction of investments.
Stakeholder views about sustainability matters of the Group will help map the environmental, social and governance impact of the business and highlight potential sustainability topics to be used as the basis for the Group's sustainability plans.

Environment protection measures

AS Virši-A and its 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 operations and investments 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.

Employees

During the reporting period, the Latvian economy remained affected by labour force shortages with the number of vacancies significantly exceeding demand and according to the State Employment Agency the retail sector was affected the most.
The Group's priority in the first six months of 2022 was to strengthen employee welfare by improving the employer's proposition to attract and retain work force in the long term. An area of particular focus during 2022 was retail employees whose number continued to grow on account of expansion of the Group's network.

In May 2022, seeking to meet everyone after lengthy lockdowns to inspire, inform and promote employee involvement the Group organised staff event 'Viršu Forums 2022 – Aizrautība ir mūsu degviela'.

Support to Latvia State Blood Donor Centre

The changing and unpredictable nature of the outbreak of Covid-19 had a substantial impact on the activity of blood donors in Latvia. However, as the importance of continued donation of blood was growing in these unstable geopolitical circumstances, AS VIRŠI-A continued supporting the Latvian State Blood Donor Centre by promoting public awareness of the importance and possibilities to donate blood. It is the third year that the Group cooperates with the Latvian State Blood Donor Centre to encourage people to donate blood to save the lives and health of others. During this time, blood donors helped several thousand people in critical need of blood transfusion.

Financial risk management

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 the constant assessment of client credit history based on credit policies in place. Receivables are registered by an individual assessment of the customer's credit history and financial indicators within appropriate credit limits and established due days. Trade receivables are carried at their recoverable amount. The Group's partners in cash transactions are local financial institutions with an appropriate credit history.

The Group is exposed to the oil price risk as it both purchases and sells fuel products, and the price of fuel products is closely linked to market fluctuations in oil prices. The risk is mitigated as the 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.

Subsequent events

From 2020 and subsequent to the financial period 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 2022 are 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 the receivables risk. This conclusion is based on the information available as at the date of these consolidated financial statements.

On 24 February 2022, the Russian Federation launched a military attack on Ukraine which resulted in a war in the territory of Ukraine. Countries worldwide extended vast support to Ukraine by imposing financial and economic sanctions against the Russian Federation. The management evaluated existing customers, suppliers and business processes and concluded that the Group's performance was strong despite the uncertainty prevailing at the date of signing these financial statements with regard to further actions of the neighbouring country, the energy market strategy in the region and other future impact of war.

Riga, 10 August 2022

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

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Condensed consolidated statement of comprehensive income

For the six months ended 30 June	Note	2022 EUR	2021 EUR
Net sales	2	154 713 394	96 836 246
Cost of sales	3	(138 365 021)	(85 004 307)
Gross profit		**16 348 372**	**11 831 939**
Selling expenses	4	(10 529 526)	(7 993 355)
Administrative expenses		(1 049 768)	(1 022 158)
Other operating income		97 994	27 676
Other operating expenses		(350 200)	(85 411)
Results from operating activities		**4 516 872**	**2 758 691**
Financial revenue		1 581 455	106 371
Finance expenses	14	(243 953)	(241 114)
Profit before corporate income tax		**5 854 374**	**2 623 948**
Corporate income tax for the reporting period	5	(265 287)	-
Profit after corporate income tax		**5 589 087**	**2 623 948**
Profit of the reporting period		**5 589 087**	**2 623 948**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Impairment losses on property and equipment	6	-	(539 561)
Change in asset retirement obligation	10, 13	255 074	52 863
Other comprehensive income		**255 074**	**(486 698)**
Total comprehensive income for the period		**5 844 161**	**2 137 250**
Earnings per share before and after dilution	10	0.37	0.20
EBITDA per share		0.44	0.34

The accompanying notes on pages 14 to 36 are an integral part of these consolidated financial statements.

Riga, 10 August 2022

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Condensed consolidated statement of financial position

Assets

NON-CURRENT ASSETS	Note	30.06.2022 EUR	31.12.2021 EUR
Intangible assets		191 635	154 360
Property and equipment	6	65 333 735	61 745 970
Right-of-use assets		2 698 704	2 615 419
Investment in associate		1 601 168	1 559 947
Loan to an associate		1 445 345	278 400
Derivatives	17,18	8 243 713	3 500 764
TOTAL NON-CURRENT ASSETS		**79 514 300**	**69 854 860**
CURRENT ASSETS			
Inventories	7	18 288 513	11 799 477
Trade receivables	8	20 056 524	12 441 129
Due from related parties		1 290	6 513
Derivatives	17,18	4 238 367	34 271
Other receivables		388 496	504 552
Prepaid expenses		273 452	108 903
Accrued income		1 244 488	265 859
Cash and cash equivalents	9	5 770 382	6 398 863
TOTAL CURRENT ASSETS		**50 261 511**	**31 559 567**
TOTAL ASSETS		**129 775 811**	**101 414 427**

Liabilities

	Note	30.06.2022 EUR	31.12.2021 EUR
SHAREHOLDERS' EQUITY			
Share capital	10	7 545 605	7 545 605
Share premium		6 358 527	6 358 527
Reserves:			
Long-term investment revaluation reserve		19 603 473	19 648 511
Other reserves		(4 172 683)	(4 172 683)
Retained earnings:			
Retained earnings brought forward from previous years		19 875 097	14 017 740
Profit of the reporting period		5 589 087	6 615 767
TOTAL EQUITY		**54 799 106**	**50 013 467**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	11	19 537 218	14 459 648
Other loans	12	5 793 883	6 082 854
Provisions for asset retirement obligation	13	643 119	855 010
Derivatives		6 690 435	2 467 548
Lease liabilities		1 790 542	1 706 813
TOTAL NON-CURRENT LIABILTIES		**34 455 198**	**25 571 873**
Current liabilities			
Loans from credit institutions	11	3 171 713	2 382 759
Other loans	12	700 000	700 000
Derivatives		3 187 092	6 071
Lease liabilities		560 789	645 383
Trade and other payables		24 091 957	16 767 329
Deferred income		77 678	7 652
Tax liabilities		6 811 228	3 393 849
Accrued liabilities		1 921 049	1 926 044
TOTAL CURRENT LIABILITIES		**40 521 507**	**25 829 087**
TOTAL LIABILITIES		**74 976 705**	**51 400 960**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**129 775 811**	**101 414 427**

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Riga, 10 August 2022

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Condensed consolidated statement of cash flows

For the six months ended 30 June	Note	2022 EUR	2021 EUR
Cash flows from operating activities			
Profit before corporate income tax		5 854 374	2 623 948
Adjustments for:			
Depreciation and amortisation of property, equipment and intangible assets		2 123 537	1 738 991
Result on disposal of property and equipment		35 781	1 244
Interest and similar expenses		243 953	241 114
Income from investment in associate		(10 766)	(2 266)
Impairment of inventories		605 386	-
Net change in fair value of derivatives		(1 543 138)	(100 852)
Profit before adjustment for the impact of changes to current assets and current liabilities		**7 309 127**	**4 502 179**
(Increase)/Decrease of receivables		(8 469 464)	(4 355 763)
(Increase) / Decrease in inventories		(7 094 422)	(1 077 100)
Increase/(Decrease) of accounts payable to suppliers, contractors and other creditors		10 981 530	5 574 802
Gross cash flows from operating activities		**2 726 772**	**4 644 118**
Interest paid		(160 116)	(116 433)
Corporate income tax refunded		(289 394)	13 982
Net cash flows from operating activities		**2 277 262**	**4 541 667**
Cash flows from investing activities			
Acquisition of shares of related or associated companies		(10 000)	-
Purchase of property, equipment and intangible assets		(5 832 644)	(3 248 905)
Income from disposal of fixed and intangible assets		81 425	938
Loan to an associate		(1 200 000)	-
Loans repaid		12 600	12 400
Net cash flows generated from investing activities		**(6 948 619)**	**(3 235 567)**
Cash flows from financing activities			
Loans received		7 000 000	3 000 000
Repayment of loans and leases		(1 898 601)	(1 709 422)
Dividends paid		(1 058 523)	-
Net cash flows from financing activities		**4 042 876**	**1 290 578**
Net cash flows for the reporting period			
Cash and cash equivalents at the beginning of the year		6 398 863	3 676 615
Cash and cash equivalents at the end of the period	9	**5 770 382**	**6 273 293**

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Condensed consolidated statement of changes in equity

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Other reserves	Retained earnings	Total sha-reholders' equity
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		-	-	-	-	2 623 948	2 623 948
Other comprehensive income							
Provisions for asset retirement obligation	13	-	-	52 863	-	-	52 863
Increase/(decrease) in the long-term investment revaluation reserve	6	-	-	(539 561)	-	-	(539 561)
Transfer due to depreciation of accumulated revaluation gain		-	-	(292 001)	-	292 001	-
30 June 2021		**6 677 860**	**-**	**19 935 760**	**(4 206 039)**	**16 350 215**	**38 757 796**
As at 31 December 2021		**7 545 605**	**6 358 527**	**19 648 511**	**(4 172 683)**	**20 633 507**	**50 013 467**
Comprehensive income							
Profit of the reporting period		-	-	-	-	5 589 087	5 589 087
Other comprehensive income							
Provisions for asset retirement obligation	13	-	-	255 074	-	-	255 074
Transfer due to depreciation of accumulated revaluation gain		-	-	(300 111)	-	300 111	-
Transaction with owners of the Group							
Distribution of dividends		-	-	-	-	(1 058 522)	(1 058 522)
30 June 2022		**7 545 605**	**6 358 527**	**19 603 474**	**(4 172 683)**	**25 464 183**	**54 799 106**

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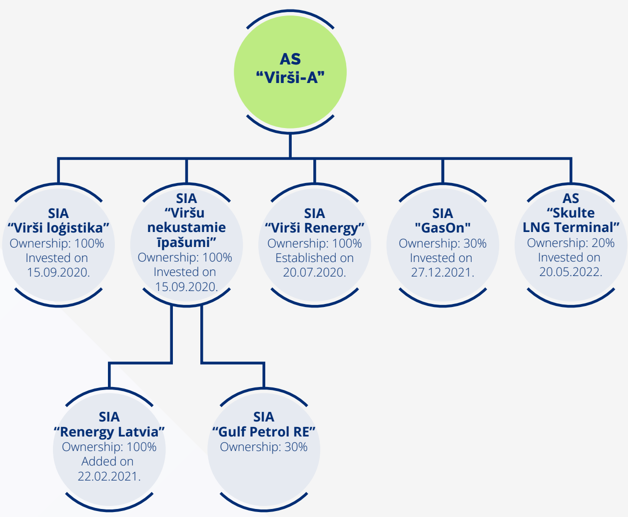
Notes to the condensed consolidated interim financial statements

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 mainly 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 loģistika 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 condensed consolidated financial statements for the six-month period ended 30 June 2022 were prepared to provide investors with interim information on the financial position and dynamics of Virši in 2022. The financial statements were approved by the decision made by the Board of the Group on 10 August 2022.

Legal structure of the Group



Virši Group entities were consolidated in joint structure during 2020. Prior to the legal restructuring of Virši entities (investment date: 15 September 2020), SIA Viršu nekustamie īpašumi and SIA Virši Loģistika were related parties to AS Virši-A with a single ownership structure.

Summary of accounting principles used

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements.
The currency unit used in the condensed consolidated financial statements is Euro (EUR).
The condensed consolidated financial statements cover the period from 1 January 2022 to 30 June 2022.
The statement of comprehensive income was prepared according to the cost function.
The cash flow statement was prepared using the indirect method.
The condensed consolidated financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis and derivatives are measured at fair value.
The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements:

- It is assumed that the Group will continue as a going concern;
- 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 income during 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

The Group has either not conducted transactions that fall within the scope of the new standards or its accounting policies are already compliant.
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, 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 IFRSs 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 IAS 1 and IFRS Practice Statement 2)

- Definition of Accounting Estimate (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, financial instruments, 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, the Group's financial assets are classified as measured at amortised cost, except derivatives referred to in Section 'Use of derivatives'.
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 Group'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 financial liabilities are initially classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method, except derivative liabilities referred to in Section 'Use of derivatives'. 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. A financial liability is derecognised 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. The Group's intangible assets consist primarily of IT software and developments with useful lives 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 6).

Leases

Accounting under IFRS 16

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 arising from 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.

Share-based payments

The Group has rolled out an equity-settled transactions share-based payments programme to its key employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. During 2021, the listed share price was used as a proxy for the share base award fair value determination. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other reserves), over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Deferred Tax Liability on unremitted earnings

In Latvia, legal entities are required to pay income tax on profits in accordance with the Corporate Income Tax Law. 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 2022 and after in the foreseeable future: 5 year horizon is considered appropriate given the Group's planning cycle. For this 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 22.6 years (2021: 21.9 years).
In June 2022, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 643 119 as of 30 June 2022. The update was prepared by management and resulted in a net increase of EUR 211 891 from the ARO at 31 December 2021 of EUR 855 010.
As at 30 June 2022, the estimated undiscounted ARO was EUR 952 044 (31 December 2021 – EUR 881 158). 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 30 June 2022, the Group used an inflation rate of 2.00% (2021: 2.00%) and a discount rate of 1.61% (31 December 2021: 0.12%) 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 216 232 (31 December 2021: EUR 297 321). Should the long-term inflation estimate decrease to 1% from the 2% used in the assumption, the ARO provision would decrease by EUR 157 970 (31 December 2021: EUR 215 766).

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 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 comprise derivatives. Gains or losses from derivatives 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 for which ECLs are calculated are:

- Trade receivables and other receivables
- Loans to associate
- Cash at bank

Liquid funds

	30.06.2022	31.12.2021
Cash and cash equivalents	5 770 382	6 398 863

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 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

	30.06.2022	31.12.2021
Trade receivables	20 056 524	12 441 129
Due from related parties	1 290	6 513
Other receivables	388 496	504 552
Accrued income	1 244 488	265 859
Total trade receivables	**21 690 798**	**13 218 053**

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 8.

Other financial investments

	30.06.2022	31.12.2021
Loan to an associate	1 445 345	278 400
Total other financial investments	**1 445 345**	**278 400**

The fair value of non-current Other financial investments 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 associated companies are considered to perform well.

- Debt instruments of SIA Gulf Petrol Re are amortised while its properties are leased out to the Group under contracts that fully support the associates ability to repay its creditors;
- In the first six months of 2022, SIA GasOn, in which the Group invested on 30 December 2021 and became a 30% shareholder, exceeded its planned financial targets and developed the range of the Group's services with mobile natural gas supply solutions, and continued implementing corporate governance standards of the Group and took part in the development and implementation of strategic objectives.

(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

According to the Corporate Income Tax Law 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 2025.
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 6;
- Expected Credit Loss determination
  More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 17;
- Provisions for asset retirement obligation
  More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 13.
- Measurement of fair value of derivatives

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 futures and other derivatives. 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. During the reporting period, the Group signed 3 hedging agreements; however hedge accounting was not applied (refer to Note 17 and 18).

2. Net sales from other types of operations

By type of operating activity	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Sale of oil products	132 200 497	80 752 807
Sales of goods in convenience stores	18 265 830	14 964 174
Energy	3 392 950	-
Other income	854 117	1 119 265
TOTAL:	**154 713 394**	**96 836 246**

By geographic market	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Latvia	153 427 757	96 414 854
Other	1 285 636	421 392
TOTAL:	**154 713 394**	**96 836 246**

Contract liabilities under Trade and Other payables	30.06.2022	31.12.2021
Advances received	314 913	307 549
TOTAL:	**314 913**	**307 549**

Accrued income recognised is due from retail business partners for volume discounts granted in the reporting 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 30 June 2022 or as at 31 December 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

3. Cost of sales

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Cost of oil products and goods	136 704 294	84 343 112
Depreciation and amortisation	51 903	45 809
Impairment of inventories	605 386	-
Personnel expenses	68 854	57 622
Other costs related to property	2 229	2 202
Maintenance and repairs	17 003	18 968
Transport	15 133	15 351
Other expenses	900 219	521 243
TOTAL:	**138 365 021**	**85 004 307**

4. Selling expenses

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Personnel expenses	5 503 629	4 216 745
Depreciation and amortisation	1 963 073	1 593 469
Other costs related to property	66 697	23 593
Maintenance and repairs of infrastructure	1 303 828	891 817
Marketing expenses	432 156	319 111
Transport	756 951	494 127
Other expenses	503 192	454 493
TOTAL:	**10 529 526**	**7 993 355**

5. Corporate income tax

Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia and is recognized in the consolidated statement of comprehensive income when profit is distributed. Significant corporate income tax expenses are not planned as at and for the six months ended 31 December 2022.

6. Property and equipment

	Land, buildings and engineering structures	Leasehold improve-ments	Equipment and machinery	Other property and equipment	Construc-tion in progress	Prepay-ments for property and equipment	TOTAL
Historical cost							
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	177 638	16 161	394 043	710 622	1 337 129	618 229	3 253 822
Reclassifications	2 044 974	12 366	403 600	65 206	(2 152 033)	(374 113)	-
Cost of disposed fixed assets	-	-	-	(2 182)	-	-	(2 182)
30 June 2021	49 991 099	1 322 433	8 583 289	5 670 063	630 933	495 806	66 693 623
31 December 2021	56 616 419	1 619 202	10 304 233	6 389 542	1 825 057	108 200	76 862 653
Additions	1 759 456	134 407	494 456	415 935	2 268 547	396 084	5 468 885
Reclassifications	2 328 776	21 916	455 439	226 440	(3 032 572)	-	-
Cost of disposed fixed assets	(139 503)	-	(69 147)	(117 670)	-	-	(326 319)
30 June 2022	60 565 148	1 775 525	11 184 982	6 914 247	1 061 033	504 284	82 005 219
Accumulated depreciation and impairment							
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*	563 680	65 583	334 476	466 525	-	-	1 430 264
Impairment**	539 561	-	-	-	-	-	539 561
30 June 2021	6 652 680	444 746	3 789 285	2 921 252	-	-	13 807 963
31 December 2021	7 267 079	515 009	4 061 274	3 273 321	-	-	15 116 683
Depreciation, depreciation of the revalued part*	679 894	84 177	422 590	577 253	-	-	1 763 914
Accumulated depreciation of disposed property and equipment	(40 489)	-	(53 216)	(115 408)	-	-	(209 113)
30 June 2022	7 906 484	599 186	4 430 648	3 735 166	-	-	16 671 484
Carrying amount							
30 June 2021	43 338 419	877 687	4 794 004	2 748 811	630 933	495 806	52 885 660
30 June 2022	**52 658 664**	**1 176 338**	**6 754 334**	**3 179 081**	**1 061 033**	**504 284**	**65 333 735**

* 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 2021 and June 2022 is not materially different from the carrying amount.
The carrying amount of Land, buildings and engineering structures evaluated at fair value at 30 June 2022 would have been 40 961 675 EUR (30 June 2021: 30 426 125 EUR) had the entire category 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 in 2019 when a major part of assets was revalued:

Type	Fair value, EUR 2019	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 0.14 EUR/m2 (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/m2 – 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).

7. Inventories

	30.06.2022.	31.12.2021
Auxiliary materials	518 275	449 187
Fuel	16 081 222	8 993 977
Other goods	2 056 198	1 932 382
Provision for impairment of inventories	(605 386)	-
Prepayments for inventories	238 204	423 931
TOTAL:	**18 288 513**	**11 799 477**

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

As at 30 June 2022, a provision for impairment of inventories was recognised in relation to amendments to Cabinet of Ministers Regulation No. 332 of 26 September 2000 'Requirements for Conformity Assessment of Petrol and Diesel Fuel'. During the meeting held on 14 June 2022 the Cabinet of Ministers decided to suspend the requirement to add mandatory bio additive to fuel from 1 July 2022 to 31 December 2023.
In order to comply with effective regulations, in the spring of 2022 the Group purchased substantial amounts of the bio additive. According to these unexpected changes in regulations, a provision of EUR 605 386 should be recognised for the carrying amount of the Group's inventories.

8. Trade receivables

	30.06.2022.	31.12.2021
Carrying amount of trade receivables	20 681 960	12 961 575
Impairment allowance	(625 436)	(520 446)
TOTAL:	**20 056 524**	**12 441 129**

Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		30.06.2022			**31.12.2021**	
Not past due	0.10%	19 488 138	19 488	0.1%	11 806 708	11 807
Overdue by 1-30	0.20%	679 743	1 359	0.2%	570 089	1 140
Overdue by 31-60	0.90%	102 191	920	0.9%	93 068	976
Overdue by 61-90	3.10%	32 863	1 019	3.2%	39 793	838
Overdue by 91-180	5.70%	21 005	1 197	6.2%	9 981	1 273
Overdue by 181-360	11.50%	570	66	12.9%	-	-
Overdue by> 360	100.00%	357 451	357 451	100.0%	441 936	441 936
Total		**20 681 960**	**381 500**		**12 961 575**	**457 613**
Individual allowance			243 936		62 833	62 833
Total doubtful debt allowance			625 436		520 446	520 446

Changes in allowances for impairment of trade receivables:

Impairment allowance for trade receivables as at 31.12.2021	**520 446**
Additions	130 752
Release of allowances due to write-offs	(25 762)
Impairment allowance for trade receivables as at 30.06.2022	**625 436**
Impairment allowance for trade receivables as at 31.12.2020	**510 953**
Decrease due to changes in the base rate of ECL	52 810
Decrease of allowances due to write-off of debts	(11 096)
Impairment allowance for trade receivables as at 30.06.2021	**552 667**

Impairment allowances are assessed by the Group based on the ECL rate and valuation of individual debtors. The increase in allowances for 2021 and 2022 results from an increase in the proportion of aged debtors in the portfolio as these receivables were previously subject to individual allowances.

9. Cash and cash equivalents

	30.06.2022.	31.12.2021
Cash in bank and on hand	4 599 711	5 750 581
Money in transit	1 170 671	648 282
TOTAL:	**5 770 382**	**6 398 863**

10. Share capital and reserves

Share capital

Share capital of the Group in 2022 is EUR 7 545 605 (2021: EUR 7 545 605), comprised of 15 091 209 shares (2021: 15 091 209). Nominal value per share is EUR 0.50 (2021: EUR 0.50). All shares are fully paid up. The increase in share capital in 2020 is described in the section 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 valuers and their valuation results laid the basis for recognising the increase in share capital.

During 2021, the Group's shareholders approved a dividend policy which specified the maximum amount of profit to be distributed to be 20% of consolidated profit of the previous financial year.
The Group's management intends to propose to the shareholders to distribute dividends of up to 20% of profit for 2022 during 2023 with the amount of dividends to be specified after the closure of the financial year ended on 31 December 2022.

Earnings per share

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

	For the six months ended 30 June 2022	2021
Profit for the year, attributable to the owners of the Company	5 589 087	6 615 767
Weighted average number of shares	15 091 209	13 593 458
Earnings per share	0.37	0.49

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

	For the six months ended 30 June 2022	2021
Profit for the year, attributable to the owners of the Company	5 589 087	6 615 767
Weighted average number of shares	15 144 510	13 601 346
Earnings per share	0.37	0.49

Legal restructuring

In 2020, due to a legal restructuring of entities under common control the number of shares increased from 6 504 to 47 699 during the year. 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.

Denomination, issue and IPO of shares

Prior to the IPO in 2021, 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 any changes to total equity. 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 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 attracted 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.
The share option program was established for key management personnel and senior employees. Under this program holders of options are entitled to receive shares on the vesting date. The total amount of share options granted is 53 301. The share acquisition price has been determined at EUR 0 and all the shares vest during a three year period. In determining the fair value of the share options the key input was the share price of the Company at the moment of granting the share options.

Revaluation reserve

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

	30.06.2022	31.12.2021
Revaluation reserve from Land, buildings and engineering structures revaluation	19 603 474	19 648 511
	19 603 474	**19 648 511**

Balance as at 31.12.2020	**20 714 459**
Changes in revaluation reserves	(1 123 035)
Revaluation of Land, buildings and engineering structures (Note 6)	(539 561)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	(583 474)
Provisions for asset retirement obligation (Note 13)	57 087
Balance as at 31.12.2021	**19 648 511**
Changes in revaluation reserves	(300 111)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	(300 111)
Provisions for asset retirement obligation (Note 13)	255 074
Balance at 30.06.2022	**19 603 474**

Other reserves

During 2020, the Group's legal structure was reorganized. On 15 September 2020, the 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 as at 31.12.2020	**(4 206 039)**
Employee share option scheme	33 356
Balance as at 31.12.2021	**(4 172 683)**
Employee share option scheme	-
Balance at 30.06.2022	**(4 172 683)**

11. Loans from credit institutions

Long-term	30.06.2022	31.12.2021
Loan from a credit institution registered in the Republic of Latvia	19 537 218	14 459 648
Including:		
Long term part of loans repayable in up to 5 years	19 537 218	14 459 648
Long term part of loans repayable after 5 years until maturity	-	-
Short-term	30.06.2022	31.12.2021
Loan from a credit institution registered in the Republic of Latvia	3 171 713	2 382 759
TOTAL:	**22 708 931**	**16 842 407**

During 2022, the Group obtained a loan of EUR 7.0 million to expand and modernise the network of filling stations, incl. that of CNG stations (in 2021: EUR 8.0 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 1.50, 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.

12. Other loans

Long term:	30.06.2022	31.12.2021
Interest-free, unsecured loan from the shareholders	5 793 883	6 082 854
TOTAL other long-term loans:	**5 793 883**	**6 082 854**
Short term:		
Interest-free, unsecured loan from the shareholders	700 000	700 000
TOTAL other short-term loans:	**700 000**	**700 000**
TOTAL other loans:	**6 493 883**	**6 782 854**
Nominal value total:	7 505 528	7 856 101
Interest-free, unsecured loan from the shareholders	7 505 528	7 856 101

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

13. Provisions for asset retirement obligation

Balance as at 31 December 2021	**855 010**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	
Provision made during the period	36 301
Change in discount rate	(280 344)
Change in estimates	25 270
Unwinding of discounting	6 883
Balance as at 30 June 2022	**643 119**
Balance as at 31 December 2020	**788 922**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	
Provision made during the period	26 648
Change in discount rate	(82 870)
Change in estimates	3 359
Unwinding of discounting	987
Balance as at 30 June 2021	**737 046**

The Group's accounting policy on asset retirement obligation is disclosed in Note 1.

14. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount 31 December 2021	**16 842 407**	**6 782 854**	**2 352 196**	**25 977 457**
Loan principal repaid	(1 133 476)	(350 004)	-	(1 483 480)
Lease payments	-	-	(415 121)	(415 121)
Cash flows from financing activities	**(1 133 476)**	**(350 004)**	**(415 121)**	**(1 898 601)**
New loans from credit institutions	7 000 000	-	-	7 000 000
New lease liabilities	-	-	398 336	398 336
Interest expenses	153 326	-	6 790	160 116
Financial expenses including unwinding of discount	-	61 033	15 922	76 955
Interest paid	(153 326)	-	(6 790)	(160 116)
Total changes in liabilities	**5 866 524**	**(288 971)**	**(864)**	**5 576 690**
Carrying amount as at 30 June 2022	**22 708 931**	**6 493 883**	**2 351 332**	**31 554 147**
Carrying amount 31 December 2020	**10 976 705**	**7 624 790**	**2 137 379**	**20 738 874**
Loan principal repaid	(982 455)	(402 263)	-	(1 384 718)
Lease payments	-	-	(324 704)	(324 704)
Cash flows from financing activities	**(982 455)**	**(402 263)**	**(324 704)**	**(1 709 422)**
New loans from credit institutions	3 000 000	-	-	3 000 000
New lease liabilities	-	-	549 095	549 095
Interest expenses	112 201	-	4 232	116 433
Financial expenses including unwinding of the discount	-	107 213	16 481	123 694
Interest paid	(112 201)	-	(4 232)	(116 433)
Total changes in liabilities	**2 017 545**	**(295 050)**	**240 872**	**1 963 367**
Carrying amount 30 June 2021	**12 994 250**	**7 329 740**	**2 378 251**	**22 702 241**

	For the six months ended 30 June	
Finance expenses:	2022	2021
Interest expense from unwinding the discount on a shareholder loan	61 033	107 213
Interest expenses for bank loans	153 326	112 201
Interest expenses for a lease	22 712	20 713
Other financial expenses	6 882	986
TOTAL:	**243 953**	**241 113**

15. 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.

16. Related party transactions

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

		Transactions in the six months ended		Balance outstanding	
Related party:	Description of transaction	30.06.2022	30.06.2021	30.06.2022	31.12.2021
Associate					
Balances	Loan to an associate	-	-	1 445 345	278 400
Balances	Accrued interest	-	-	7 161	527
Balances	Right-of-use assets	-	-	468 304	521 382
Balances	Lease liabilities	-	-	(487 158)	(538 978)
Comprehensive income	Revenue from sales of natural gas	184 337	-	-	-
Comprehensive income	Purchase cost of electricity	(19 632)	-	-	-
Comprehensive income	Interest income	14 576	3 251	-	-
Comprehensive income	Interest expenses	(4 579)	(5 579)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	117 937	203 243
Balances	Receivable for services	-	-	564	6 513
Comprehensive income	Income from agent services	11 143	21 844	-	-
Comprehensive income	Fuelling services	(1 114 306)	(2 180 882)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(6 493 883)	(6 782 854)
Comprehensive income	Interest expenses	(94 514)	(107 213)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(23 804)	(21 047)
Balances	Compulsory state social security payable	-	-	(7 792)	(7 100)
Comprehensive income	Remuneration	(276 475)	(310 977)	-	-
Comprehensive income	Social security contributions	(65 204)	(71 919)	-	-

17. Fair value of financial assets and liabilities

Financial assets and liabilities measured at fair value

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

30 June 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	12 482 080	12 482 080	12 482 080
Financial liabilities					
Derivatives	-	-	9 877 528	9 877 528	9 877 528

31 December 2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	3 535 035	3 535 035	3 535 035
Financial liabilities					
Derivatives	-	-	2 473 619	2 473 619	2 473 619

Financial assets and liabilities not measured at fair value

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

As at 30 June 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	1 445 345	1 445 345
Trade receivables	-	-	-	20 056 524	20 056 524
Due from related parties	-	-	-	1 290	1 290
Other receivables	-	-	-	388 496	388 496
Cash and cash equivalents	-	-	-	5 770 382	5 770 382
Financial liabilities					
Loans from credit institutions	-	-	21 260 210	21 260 210	22 708 931
Other loans	-	-	6 493 883	6 493 883	6 493 883
Trade and other payables	-	-	-	14 450 780	14 450 780

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
Due from related parties	-	-	-	6 513	6 513
Other receivables	-	-	-	504 552	504 552
Cash and cash equivalents	-	-	-	6 398 863	6 398 863
Financial liabilities					
Loans from credit institutions	-	-	16 129 613	16 129 613	16 842 407
Other loans	-	-	6 813 448	6 813 448	6 782 854
Trade and other payables	-	-	-	16 767 329	16 767 329

Other financial investments, 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.

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
Derivatives – electricity swap agreements	Discounted cash flow, NPV	Spread in the Latvian market in excess of Nord Pool market price data
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions are described in Note 9.
Other loans	Discounted cash flow, NPV	Loan repayment structure assumed in line with budgeted cash flows and bank loan covenats. Discount rate applied based on weighted average discount rate for non-banking institutions at loan issue period, reported by 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.

	Derivatives – electricity swap agreements
Balance as at 31 December 2021	1 061 416
Net change in fair value (unrealised)	1 543 138
Purchases	-
Balance as at 30 June 2020	**2 604 553**
Balance as at 31 December 2020	-
Net change in fair value (unrealised)	100 852
Purchases	-
Balance as at 30 June 2021	**100 852**

The above fair value gain of EUR 1 543 138 (2021: EUR 100 852) was recognised in the consolidated statement of comprehensive income as part of net financial income.

18. 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 Viršl 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 period. 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. There has been no change to policies in relation to currency risk management during the reporting period.

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.
There has been no change to policies in relation to interest rate risk management during the reporting period.
A reasonably possible change of 100 basis points in interest rates at 30 June 2022 and 31 December 2021 would have increased (decreased) profit (loss) before taxes by the amounts for +/-185 234 EUR (2021: +/- 145 465 EUR). 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 disclosures and ageing analysis are provided in the note to the consolidated financial statements concerning trade receivables. (refer to Note 8.)
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.
There has been no change to policies in relation to credit risk management during the reporting period.

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. The Group's liquidity is managed on a centralized basis and monitored continuously. Target net debt/ EBITDA ratio on the consolidated basis ranges from 1.5 to 2.5 and under IFRS 16 the unadjusted current ratio is 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 11).

Certain other limits have also been set to minimize liquidity and refinancing risks. There has been no change to policies in relation to liquidity risk management during the reporting period.

30 June 2022	Carrying amount	Contractual cash flows (un–discontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	22 196 006	23 052 048	2 192 429	2 175 569	4 300 559	7 885 781	1 799 905	4 697 805	-	-
Other loans	6 493 883	7 480 531	375 000	375 000	750 000	750 000	750 000	750 000	750 000	2 980 531
Derivatives	9 877 528	9 877 528	549 922	2 637 170	2 109 575	1 384 315	1 374 085	1 228 494	593 967	-
Trade and other payables	24 091 957	24 091 957	24 091 957	-	-	-	-	-	-	-
Accrued liabilities	1 921 049	1 921 049	1 921 049	-	-	-	-	-	-	-
Total financial liabilities	**64 580 423**	**66 423 113**	**29 130 357**	**5 187 739**	**7 160 134**	**10 020 096**	**3 923 990**	**6 676 299**	**1 343 967**	**2 980 531**

As at 31 December 2021	Carrying amount	Contractual cash flows (un–discontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	16 842 407	17 552 145	1 270 920	1 379 846	3 198 901	5 842 725	3 091 519	2 768 234	-	-
Other loans	6 782 854	7 855 532	375 000	375 000	750 000	750 000	750 000	750 000	750 000	3 355 532
Derivatives	2 473 619	2 473 621	6 073	-	550 788	436 284	475 388	501 668	503 420	-
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	**43 952 143**	**45 734 561**	**19 505 256**	**1 754 846**	**4 499 689**	**7 029 009**	**4 316 907**	**4 019 902**	**1 253 420**	**3 355 532**

Commodity price risk

Commodity price risks in the Group are affected by fuel business market prices for crude oil, renewable feedstocks and by 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, crude oil price is a significant driver behind changes in turnover and cost of products.

Crude oil price 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 fuel business of the Group.

In order to balance the Group's dependence on crude oil price globally, there are several measures in place – the Group owns a storage facility that helps mitigate short term market volatilities; sustainable fuel alternatives are introduced to the market and the Group's portfolio (CNG, electricity); there is ongoing development of retail stores and catering in fuel stations. This results in the decrease of both the proportion of profits driven by crude oil products and the dependence on prices on these products. There has been no change to policies in relation to commodity price risk management during the reporting period, other than outlined below.

In June 2021, the Group commenced supplies of electricity to the B2B business segment. Currently the amounts traded are insignificant, but the aim is to develop the new business segment in the future. The dependence on fluctuations of electricity prices in the market is reduced by the Group by hedging supplies. Derivatives as at 30 June 2022 recognised in the balance sheet is 2 604 552 EUR. A possible change of 5 euros in the spread to Nord Pool commodity price at 30 June 2022 would have increased (decreased) profit before taxes by +/- 829 321 EUR. This analysis assumes that all other variables remain constant.

Capital risk management

The Group's objective in managing capital is to maintain a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which the Group 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 investment grade rating. The capital structure of the Group is reviewed by the Board on a regular basis. The Group monitors its capital on the basis of 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%. There has been no change to policies in relation to capital management during the reporting period.

19. Profit distribution

The Board suggests that profit for the reporting period be retained undistributed and used for further development. The decision concerning profit distribution will be made by the Shareholder' Meeting after the closure of 2022.

20. Subsequent events

From 2020 and subsequent to the financial period end, the Republic of Latvia and many countries worldwide experienced an increase in the spread of the coronavirus and reintroduced restrictions, 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 constantly evaluates the situation. At the date of these consolidated financial statements, the Group's financial ratios for 2022, based on unaudited data, are consistent with those planned in the budget for 2022 and the financial position is strong. The management believes the Group will be able to overcome the complications connected with the spread of the coronavirus 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 24 February 2022, the Russian Federation launched a military attack on Ukraine which resulted in a war in the territory of Ukraine. Countries worldwide extended vast support to Ukraine by imposing financial and economic sanctions against the Russian Federation. The management evaluated existing customers, suppliers and business processes and concluded that the Group's performance was strong despite the uncertainty prevailing at the date of signing these financial statements with regard to further actions of the neighbouring country and the extent and future impact of sanctions. In light of the events unfolding in Ukraine and the sanctions imposed on Russia and Belarus by the USA and the European Union, AS VIRŠI-A ceased cooperating with partners in Russia and Belarus. In addition, AS VIRŠI-A informs that its fuel suppliers, refineries in Lithuania and Finland, continue diversifying their sources of crude oil to reduce dependence on Russia. Fuel supplies to AS VIRŠI-A proceed as scheduled under effective supply agreements without interruptions.

According to initial estimates, the management believes the impact on consolidated gross profit is not material and it may be considered that the present circumstances do not have a material impact on the business model.

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, 10 August 2022

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

Jeļena Laurinaviča
Chief Accountant

ŠIS DOKUMENTS IR PARAKSTĪTS
AR DROŠU ELEKTRONISKO PARAKSTU UN SATUR LAIKA ZĪMOGU