



AS Virši-A

UNIFIED REGISTRATION NUMBER 40003242737

**UNAUDITED
CONSOLIDATED
ANNUAL REPORT
FOR 2023**

**PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION**



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VIRŠI

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	
Shareholders (above 5%)	Jānis Riekstiņš Jānis Rušmanis Ruta Plūme Andris Priedītis Ilgvars Zuzulis	holder of 21.03% shares holder of 20.86% shares holder of 20.83% shares holder of 12.82% shares holder of 12.80% shares
Members of the Board	Jānis Vība, Linda Prūse, Vīta Čirjevskā,	Chairman Member of the Board Member of the Board
Members of the Council	Jānis Riekstiņš, Jānis Rušmanis, Ilgvars Zuzulis, Andris Priedītis, Ivars Blumbergs, Silva Skudra,	Chairman of the Council Deputy Chairman of the Council Member of the Council Member of the Council Member of the Council Member of the Council
Information on subsidiaries	Viršu nekustamie īpašumi, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 15 September 2020, merged with the parent company on 26 November 2023 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 VIRŠI Lietuva, UAB Liepu g. 4, Klaipēda, Lithuania, LT-92114 Holding: 100.00%, from 23 January 2024	
Information on associates	Gulf Petrol RE SIA Brīvības iela 85 - 5, Rīga, LV-1001 Holding: 30.00%, from 1 July 2016 GasOn SIA Biekensalas iela 21, Rīga, LV-1004 Holding: 30.00%, from 30 December 2021 Skulte LNG Terminal AS Dzirnavu iela 36, Rīga, LV-1010 Holding: 19.23%, from 31 May 2022	
Chief Accountant	Jeļena Laurinaviča	
Auditors	KPMG Baltics SIA Robertas Hīrsa iela 1, Rīga, LV 1045, Latvia Licence No. 55	

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*Group
Management
Report*

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Type of operations



AS VIRŠI-A with its subsidiaries is the largest local trader of energy resources and the network of convenience stores (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 also sells electricity and natural gas.

The registered and paid up share capital of AS VIRŠI-A is EUR 7 564 730 and it consists of 15 129 460 shares.

Nominal value per share is EUR 0.50. 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 2023, the Group successfully continued implementing its development strategy, which involved objectives such as the expansion of the network and 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 has been to become a fully-fledged energy company that offers its customers electricity and other energy products.



The Group's activities during the reporting period

During 2023, the Group continued its focused development towards the 2026 strategic objectives, closing the period with 73 filling stations, EBITDA** of EUR 13.7 million, and a profit of EUR 5.1 million.

During the reporting period, the Company's gross profit was generated by three core business segments: fuel products, convenience stores and energy.

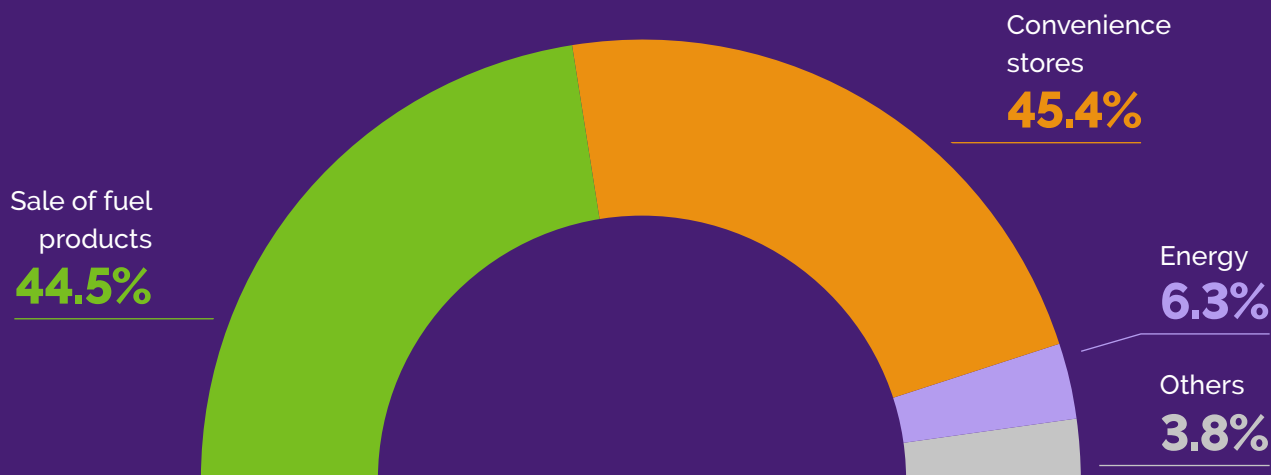
The Group's convenience stores contributed the largest share of gross profit in 2023, or 45.4%, or EUR 17.1 million, an increase of EUR 4.3 million and 33.2% compared to 2022, when the segment's share was 39.2%. The result was achieved by increasing turnover, profitability, offering customers a quality and diversified range of products and services, and diversifying sales channels.

The second largest business segment in terms of gross margin in 2023 is the sale of fuel products.

In the first 11 months of 2023, retail sales of fuel in Latvia grew by 1.5% in terms of tonnes of

fuel sold, while the Group's business grew by 10.5%. In 2023, the gross margin on sales of fuel products is EUR 16.8 million, a decrease of EUR 2.1 million or 11.3% compared to 2022. Despite being able to significantly increase the volume of fuel sold in 2023 in terms of tonnes, the Group's gross profit decreased due to the downward trend in the mark-ups applied to fuel sales in 2023 compared to those applied in 2022. The decrease in the markups in 2023 was related to the fierce competition on the Latvian retail fuel market. The third business segment, **Energy, achieved a gross profit of EUR 2.4 million in 2023, almost 6 times higher than in 2022** (gross profit of EUR 0.4 million in 2022). During the year, the Energy segment continued to sell electricity to the business segment and expanded its activities with new product offerings – electricity sales to residential customers and sales of guarantees of origin (GOs) for renewable energy.

Gross profit share





*The Group's activities during
the reporting period*

The Group's EBITDA in 2023 reached an all-time high of EUR 13.7 million, an increase of 11.7% compared to 2022 (2022 EBITDA: EUR 12.3 million).

Due to labour costs, volatile fuel and energy prices, as well as high inflation rates, the reporting year turned out to be a challenging period in Latvia and globally, but as a result of strategic management of the business segments, the Group managed to increase its gross profit by almost EUR 5 million or 15% (2023: EUR 37.7 million, 2022: EUR 32.8 million).

Jānis Vība

Chairman of the Board





The net profit figure for the reporting period was affected by the change in the value of the financial instrument, which generated income of EUR 3.1 million in 2022 and costs of EUR 2.1 million in 2023, in line with market prices. The value of the financial instrument was calculated according to current energy prices, which reached historical highs at the end of 2022, but declined significantly and stabilised during 2023.

Vita Čirjevskā

Member of the Board



The Group's net profit was also affected by rising interest rates. With added lending rates remaining low, the dynamics of EIRIBOR during 2023 significantly increased the Group's financing costs. The financial result of the Company for the reporting year is a profit of EUR 5.1 million (2022: EUR 10.3 million), while the Adjusted Net

Profit from Operating Activities of the Group, excluding the result from the revaluation of financial instruments, amounted to EUR 7.2 million in 2023 (2022: EUR 7.2 million). The Group's net profit ratio* is 1.5% in the reporting period and 2.8% in 2022.

* Net profit ratio is calculated by dividing the Group's profit for the reporting period with net sales.

** EBITDA – the Group's profit before finance income and finance costs, depreciation and amortization and corporate income tax.



Strategic development and investments



During the reporting period, the Group actively continued expanding its filling station network by building new stations, refurbishing the existing stations and opening new franchised stations.



Development of stations and convenience stores

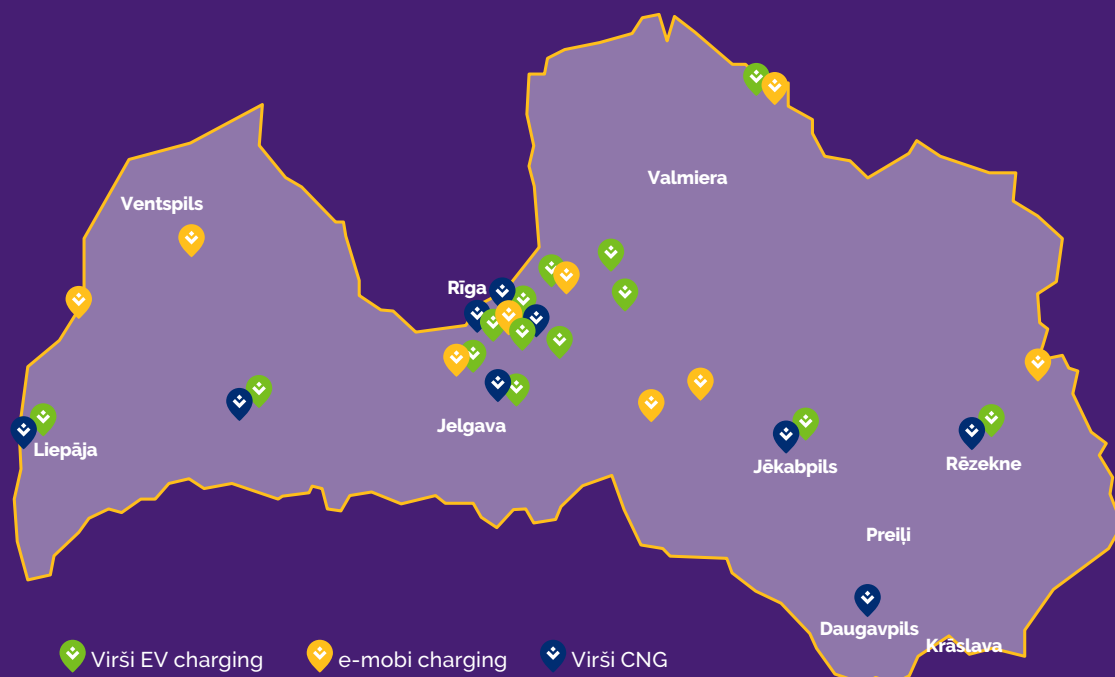
In order to achieve a performance that meets today's energy efficiency and customer service requirements, the Group carried out significant improvements to three filling stations in Riga in 2023, located in Sarkandaugava and Satekles Street, as well as to the station in Zilāni. During the reporting period, a new filling station was opened in Olaine, in addition to the existing branded station, and construction started on three new filling stations in Riga (Viskaļu Street), Sigulda, and Salaspils. At the end of 2023, the Group announced its plan to open the first Virši branded station in Lithuania in 2024.

As part of the targeted development of the network of filling stations, two new franchised stations in the Latgale region – in Preiļi and Krāslava, where the brand's services were not available before - joined the Virši brand network in the reporting period. In addition to the construction of new facilities, technical, interior, and exterior improvements were carried out in Virši stations during the reporting period, and the Group is actively pursuing the development of new facilities in order to achieve its strategic objectives. At the end of 2023, the network of AS VIRŠI-A consisted of 73 filling stations.

In 2023, the Group's convenience store network also started operations outside filling stations in two new concept outlets – Spice shopping centre and Virši convenience store on Tērbatas Street, Riga.



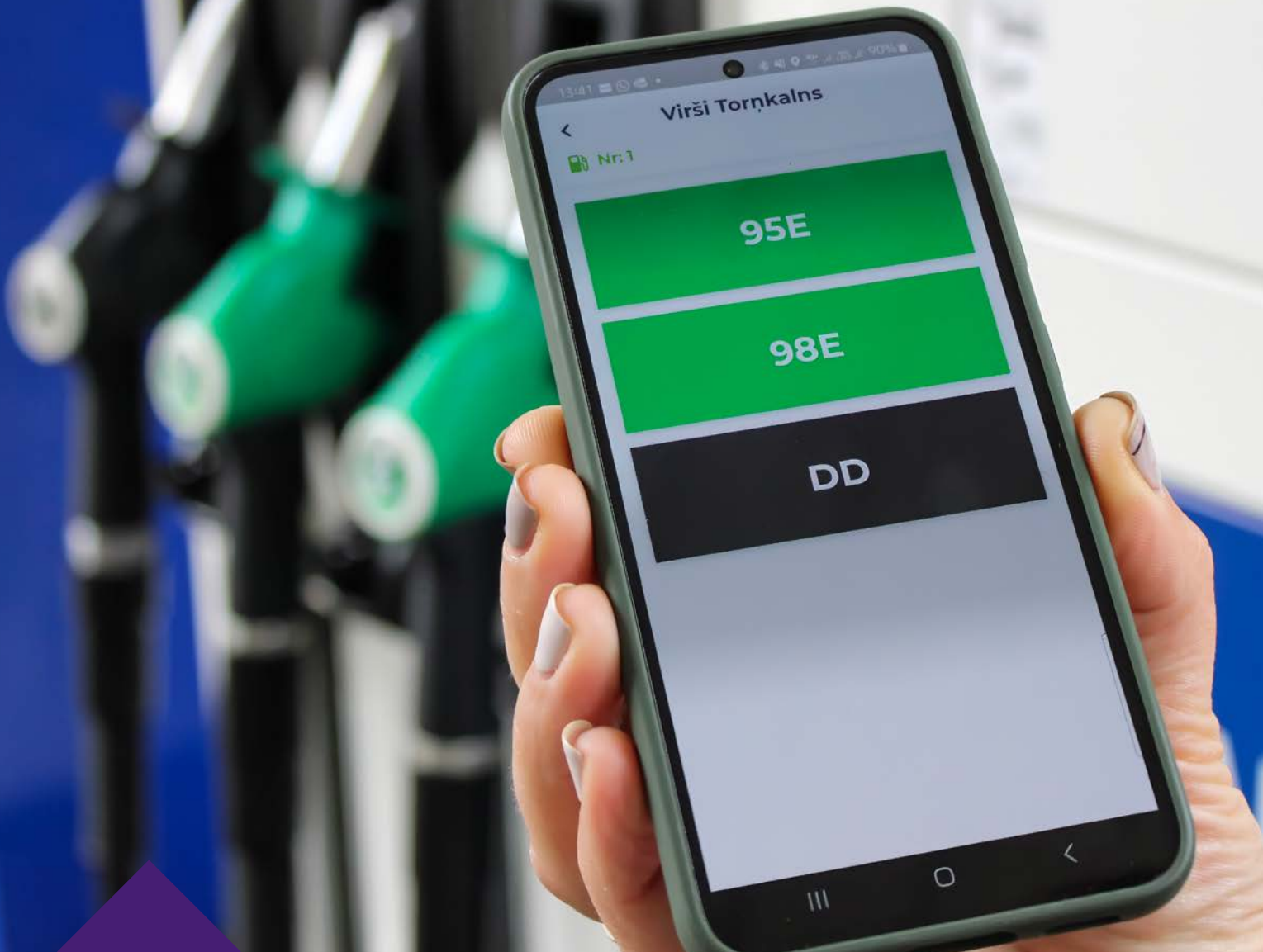
In 2023, the Group invested nearly EUR 17 million (2022: EUR 10.2 million), an increase of EUR 6.8 million or 67% compared to 2022. Investments were made in the expansion of the network, energy efficiency, and improvement of the range of services offered, as well as in the development of the Group's IT infrastructure and related services.



Development of the network of EV charging and CNG stations

As part of its strategic development, the Group has assigned a key role to decarbonisation of transport or reducing the environmental impact of the transport sector. Since 2019, Virši has offered two types of alternative fuels in its network of filling stations: compressed natural gas or CNG

(since 2019) and Virši EV charging (since 2022). During 2023, the EV charging network was significantly developed under the Alternative Fuels Infrastructure Facility financing project. In 2023, the network of Virši has nine filling stations offering CNG and 14 offering EV charging.



Smart phone app

During the reporting period, active work was carried out on the introduction of a smart phone app, which was offered to customers for use during the summer. The functionality of the app provides greater convenience for customers – the possibility to pay for fuel before filling up without entering the station's premises, to receive various loyalty

programme benefits for cheaper purchases, as well as to combine the functionality of a bank payment card with that of a discount card. The app is also a handy tool for the business customer segment, as it can be used to add business customers' fuel cards and keep track of their billing history for refuelling, AdBlue, and window washer fluid on tap.



“In the first years after the abolition of regulated prices in 2015, Latvian households were not particularly active in choosing an electricity trader, but in recent years the unprecedented market prices have made the choice of the most suitable trader a focus for almost every resident. In response to the growing activity and awareness of households, we have prepared a well-thought-out offer and an easy contract process to meet the demand for both competitive electricity prices and the related additional services we can provide through our network of filling stations.”

Jānis Bethers

Head of the Energy Sector of Virši

Sales of electricity to households

In the second half of 2023, the Group launched public electricity sales to households across Latvia, continuing its development of the business of electricity sales started in 2021, when electricity sales to the business segment (B2B) were launched. The household offer is based on competitive prices and special offers for fuel and goods at the Virši network of stations. Customers can choose from the usual fixed-price or dynamic product contracts for households, as well as one of the packages offered by Virši – combining the purchase of electricity with better prices for fuel and groceries.

In 2023, the amount of electricity sold in the B2C segment was 3.7 times higher than in 2022, while the number of customers in the B2B segment increased by 323%. The Group purchased 54% more electricity from Latvian power producers in 2023 than in 2022.





ESG governance

Environmental, social, and governance issues are becoming increasingly important for both society and business. Climate change, resource scarcity, social inequalities, discrimination, various crises and conflicts over the last decade illustrate the challenges facing today's society. In addition, the performance and achievements of any company should be considered also in the context of sustainability with performance indicators assessed in conjunction with environmental, social, and corporate governance matters. This provides a significantly deeper and wider insight into operations of the company and fosters transparency. To that end, in 2023 we continued following our reporting practice and prepared the third Group's non-financial report on the implementation of environmental, social responsibility, and corporate governance principles. The report was prepared to introduce clients, employees, future investors, and shareholders, and

the wider public to the ESG indicators and initiatives to be taken by VIRŠI in future years.

Parallel to the compilation of the 2022 non-financial report in 2023, the Group carried out an in-depth study of the upcoming changes to the NFR Directive, which will be based on the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), in order to be able to fully assess and set achievable targets in line with the new methodology. The ESG Report 2022 published during the reporting period shows that the Group has prioritised ESG actions and materiality themes, which is also evident in the data – the Group has shown improvements in all three sustainability areas. When calculating both emissions and energy consumption per net profit (excluding financial instruments), there has been a year-on-year downward trend in impacts and energy consumption per EUR earned.



Renewable energy produced in Latvia and guarantees of origin

During 2023, the cooperation with Latvian renewable electricity producers was significantly expanded, and by the end of 2023, the company's portfolio included 65 local producers using sun, water, biomass, and biogas to generate electricity.

By installing solar panels on the roofs of the stations, a step has been taken to generate part of the self-consumption electricity already at the Virši stations, while the rest of the electricity is purchased from Latvian energy producers from the beginning of 2023.

Thus, during the reporting period, only renewable electricity produced in Latvia was used for self-consumption within the Group, while the Group's customers consumed renewable energy at the EV charging stations in Virši.

A new business line was launched in electricity trading – trading of Guarantees of Origin (GOs) of electricity. A Guarantee of Origin (GO) is an electronic document that proves the origin of the electricity produced (the resources used to produce the electricity and the technology used to produce the electricity). The EU-wide use of Guarantees of Origin provides a record of the type of electricity produced and allows end-users to prove that the energy they consume has been produced by a specific producer using specific inputs.



Solar panels

The Group started active work on generating solar energy for self-consumption at the end of 2021 by installing the first solar panels on the roof of the Brocēni filling station. In 2023, solar panels were installed on the roofs of 20 filling stations and the Aizkraukle office. At the end of the reporting period, the capacity of the solar panels installed on the network had already reached 516 kW, producing up to 50% of the energy consumed on the Virši network during the summer months. During 2023, the solar panel systems generated a total of 368 MWh of renewable electricity.



Strategic development and investments

Sustainability work group

In March 2023, Virši established the Sustainability Working Group with more than 20 colleagues willing to actively address sustainability issues. The aim of the Sustainability Working Group is to contribute to the development of sustainability at Virši by researching, calculating, developing, and implementing realistic and relevant sustainability solutions. The Sustainability Working Group organises both face-to-face and online meetings, as well as exchange visits to various Latvian companies.

The Sustainability Working Group works on a variety of sustainability issues:

- product life cycle assessment and mitigation,
- sustainability assessment of cooperation partners,
- Virši internal ad portal to extend the life cycle of products,
- internal employee motivation system for sustainability,
- communicating sustainable lifestyles to colleagues and customers,
- waste sorting and reduction at Virši stations and offices,
- sustainable car-sharing within the company.





Participating in public and business awareness-raising on sustainability matters

Representatives of the Group are proactively involved in various matters of importance to society and are regularly invited to share their knowledge and experience at other events.

At the end of 2023, the Group organised the first Transport Decarbonisation Seminar, with a priority focus on the Group's existing business segment customers, to raise the event's theme "Decarbonisation of the transport sector – challenges and opportunities" together with industry experts. Outlining Latvia's plans to promote renewable energy in transport, the conference also featured a keynote speech by Aija Timofejeva, Director of the Energy Sustainability Department, Ministry of Climate and Energy.



Social responsibility initiatives

One of the Group's key social responsibility objectives for 2023 was **to support the SOS Children's Villages Association**. The initiative is based on providing assistance through the advantages of a network of filling stations, reaching out and informing the company's stakeholders and the public about the topicality of the matter. During the reporting period, the Group supported the Association's activities by donating EUR 20 000 to help cover the operating and transport costs of the SOS Children's Villages in 2023. An information campaign was carried out internally, on media channels and in the filling station network environment with the aim of raising awareness of the SOS Children's Villages

Association and the need for support. During the reporting period, the support to the National Blood Donor Centre, launched in 2020, continued, further explaining and highlighting the importance of continuity of blood donation to both the public and the company's employees. Donor Days are also organised at the Group's Riga office, addressing the company's employees and business partners, thus supporting the Latvian blood donor movement.

In 2023, the Group donated more than EUR 20 000 **to various organisations in support of Ukraine and its citizens**. The funds were mainly used to purchase fuel for the delivery of various aid shipments to Ukraine.





Corporate governance

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

In February 2023, VIRŠI-A **received the Nasdaq Baltic Awards for the best investor relations on the First North stock market.** This award reflects the company's high achievements in transparency, good corporate governance, and investor relations.

To celebrate the award, representatives of the Group visited the Nasdaq MarketSite studios in

New York. As one of the winners of the Nasdaq Baltic Awards 2023 and the winner of the award for the best investor relations in the First North equity market, **the Group was invited to participate in the ceremonial ringing of the closing bell at the New York Times Square.**

As a listed company, the Group is pursuing a targeted investor relations strategy and has been implementing a shareholder loyalty programme since the end of 2021, as well as ensuring transparency in its corporate development processes. Concern for the interests of shareholders, customers, and business partners, investments in network expansion and modernisation, as well as ambitious steps to enter new energy segments, form a strong basis for sustainable growth and increased corporate value over time.





Environment protection measures



Joint Stock Company VIRŠI-A operates effectively and has a certified integrated quality, environmental, and energy management system based on the requirements of international standards ISO 9001:2015, 14001:2015, and 50001:2018. The integrated management system ensures continuous improvement of the company's performance and alignment of objectives with environmental protection, energy efficiency, and process quality. The requirements of the integrated management system and the legislation of the Republic of Latvia are complied with in the storage and marketing of fuel products, procurement, acquisition of new technological equipment, implementation of station reconstruction and new development projects, marketing of goods and products, and customer service.

The objectives of the Integrated Management System of Virši for 2023 include the use of renewable resources, reduction of energy consumption and improvement of energy efficiency, segregation of generated waste and good environmental management practices as well as pollution control of the stations. With regard to the responsibility for historical groundwater contamination at filling stations, remediation of historically contaminated groundwater has been carried out at two stations under category B permits for polluting activities. To promote waste sorting, the company offers customers the opportunity to participate in the sorting of waste in the sorting bins installed at the stations. Continuing to improve technological processes and to promote energy efficiency and environmental protection, in 2023 Virši invested in the latest generation of technological solutions such as: biological treatment plants, refrigeration plants, innovative station lighting solutions, fuel storage tanks equipped with an integrated control system, and the construction of underground waste storage tanks.



Employees

Following the dynamic economic and labour market situation in the retail sector, one of the Group's priorities during the reporting period was **to improve the well-being of its staff**, by improving the employer's offer to employees. During the reporting period, the remuneration of station sales staff **was reviewed and increased on two occasions** and the coverage of health insurance policies was further extended. Employee surveys were introduced twice a year to promote employee satisfaction and involvement in the development of the working environment.

To ensure the long-term development of employees' competences, the existing training programme "**Virši Academy**" was improved and a new employee day "Get to know Virši" was introduced to help each employee understand the company's business lines, long-term goals, and feel the company culture more effectively. In 2023, more than 120 new colleagues were brought together at such events.

In the reporting year, the Group was ranked 8th in the trading sector in CV Online's Top Employers survey.





Management of financial risks



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

Credit risk is controlled by the Group through 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



On 23 January 2024, the Group founded a subsidiary in Lithuania in a strategic move to expand its network of filling stations in Lithuania during the course of the coming years.

No other significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.

Rīga, 29 February 2024

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevskā
Member of the Board

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*Consolidated
statement of
comprehensive
income*

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Consolidated statement of comprehensive income

	Note	2023 EUR	2022 EUR
Net sales	2,4	343 732 101	375 109 995
Cost of sales	3,4	(306 039 564)	(342 338 541)
Gross profit	4	37 692 537	32 771 454
Selling expenses	5	(25 169 042)	(22 556 715)
Administrative expenses	6	(2 756 443)	(2 463 212)
Other operating income	7	296 253	1 094 001
Other operating expenses	8	(1 385 888)	(957 078)
Results from operating activities		8 677 417	7 888 450
Financial revenue	29	390 236	3 371 329
Finance expenses	22	(3 568 815)	(617 984)
Profit before corporate income tax		5 498 837	10 641 795
Corporate income tax for the reporting year	9	(400 033)	(271 761)
Profit after corporate income tax		5 098 804	10 370 034
Profit of the reporting year		5 098 804	10 370 034
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment/ (Revaluation reserve write off)	11	(382 362)	6 808 868
Change in Asset retirement obligation	17, 20	(39 592)	245 638
Other comprehensive income		(421 954)	7 054 506
Total comprehensive income		4 676 851	17 424 540
Earnings per share before and after dilution	17	0.34	0.69
EBITDA per share		0.91	0.82

Riga, 29 February 2024

The accompanying notes on pages 34 to 62 are an integral part of these consolidated financial statements.

Jānis Vība

Chairman of the Board

Linda Prūse

Member of the Board

Vita Čirjevskā

Member of the Board

Jeļena Laurinaviča

Chief Accountant

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*Consolidated
statement of
financial position
as at 31 December
2023*

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Consolidated statement of financial position as at 31 December 2023

ASSETS

NON-CURRENT ASSETS	Note	31.12.2023 EUR	31.12.2022 EUR
Intangible assets	10	681 285	219 342
Property and equipment	11	84 172 407	74 386 620
Right-of-use assets	12	3 982 995	2 617 373
Investments in associates	13	1 526 888	1 627 223
Loan to an associate		227 600	1 524 543
Derivatives	29	5 489 142	7 578 471
TOTAL NON-CURRENT ASSETS		96 080 318	87 953 572
CURRENT ASSETS			
Inventories	14	12 012 407	9 310 417
Trade receivables	15	17 406 273	16 787 045
Due from related parties		24 399	11 565
Derivatives	29	1 826 880	2 578 215
Corporate income tax receivable	25	-	1 146
Loan to an associate		1 696 399	-
Other receivables		336 208	273 474
Prepaid expenses		307 402	128 851
Accrued income	15	1 352 430	3 839 054
Cash and cash equivalents	16	4 717 284	12 352 324
TOTAL CURRENT ASSETS		39 679 682	45 282 091
TOTAL ASSETS		135 760 000	133 235 663

Consolidated statement of financial position as at 31 December 2023

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2023 EUR	31.12.2022 EUR
SHAREHOLDERS' EQUITY			
Share capital		7 564 730	7 557 211
Share premium		6 358 527	6 358 527
Reserves:			
Long-term investment revaluation reserve		24 894 951	26 123 808
Other reserves		(4 005 654)	(4 047 266)
Retained earnings:			
Retained earnings brought forward from previous years		29 671 926	20 154 194
Profit of the reporting year		5 098 804	10 370 034
TOTAL EQUITY	17	69 583 284	66 516 508
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	18	14 488 095	17 546 599
Other loans	19	4 962 627	5 491 216
Provisions for asset retirement obligation	20	763 654	683 765
Derivatives	29	4 142 486	5 610 513
Lease liabilities	21	2 979 145	1 804 362
Deferred income		391 873	496 528
TOTAL NON-CURRENT LIABILITIES		27 727 879	31 632 983
Current liabilities			
Loans from credit institutions	18	7 058 504	3 862 190
Other loans	19	700 000	700 000
Derivatives	29	1 107 171	344 042
Lease liabilities	21	689 965	456 277
Trade and other payables		16 800 257	20 897 107
Deferred income		112 629	132 895
Tax liabilities	25	6 894 834	4 681 959
Accrued liabilities	23	5 085 474	4 011 702
TOTAL CURRENT LIABILITIES		38 448 836	35 086 172
TOTAL LIABILITIES		66 176 715	66 719 155
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		135 760 000	133 235 663

The accompanying notes on pages 34 to 62 are an integral part of these consolidated financial statements.

Riga, 29 February 2024



Jānis Vība

Chairman of the Board



Linda Prūse

Member of the Board



Vita Čirjevskā

Member of the Board



Jeļena Laurinaviča

Chief Accountant

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*Consolidated
statement
of cash flow*

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Consolidated statement of cash flow

	Note	2023 EUR	2022 EUR
Cash flows from operating activities			
Profit before corporate income tax		5 498 837	10 641 795
Adjustments for:			
Depreciation and amortisation	10, 11	5 067 793	4 419 581
Write-offs of property and equipment	8	624 005	389 958
Result of disposal of property and equipment	7	(31 865)	(7 807)
Employee share option programme		49 131	137 023
Interest income		(390 236)	(101 995)
Interest and similar expenses	22	1 433 050	617 984
Income (Loss) from investments in associates		100 335	(57 276)
Net change in fair value of derivatives and loans		2 135 765	(3 212 058)
Profit before adjustment for the impact of changes to current assets and current liabilities		14 486 817	12 827 205
(increase)/decrease of receivables		1 604 649	(7 713 033)
Increase) or decrease in inventories		(2 701 990)	2 489 060
Increase/(decrease) of accounts payable to suppliers, contractors and other creditors		122 733	8 137 167
Gross cash flows from operating activities		13 512 209	15 740 399
Interest paid	22	(1 014 538)	(447 341)
Repaid/(paid) corporate income tax		(400 033)	(291 887)
Net cash flows from operating activities		12 097 638	15 001 171
Cash flows from investing activities			
Acquisition of shares of related or associated companies	13	-	(10 000)
Purchase of property, equipment and intangible assets	10, 11	(16 996 976)	(10 183 333)
Loans to associates		(500 000)	(1 700 000)
Income from disposal of fixed and intangible assets	7,8	235 827	183 924
Loans repaid		25 600	525 199
Interest received		390 236	101 995
Net cash flows generated from investing activities		(16 845 313)	(11 082 215)
Cash flows from financing activities			
Dividends paid		(1 659 205)	(1 058 522)
Loans received	22	4 000 000	7 000 000
Repayment of loans and leases	22	(5 228 160)	(3 906 973)
Net cash flows from financing activities		(2 887 365)	2 034 505
Net cash flows for the reporting year		(7 635 041)	5 953 461
Cash and cash equivalents at the beginning of the year		12 352 324	6 398 863
Cash and cash equivalents at the end of the year	16	4 717 283	12 352 324

The accompanying notes on pages 34 to 62 are an integral part of these consolidated financial statements.

Riga, 29 February 2024



Jānis Vība

Chairman of the Board



Linda Prūse

Member of the Board



Vita Čirjevskā

Member of the Board



Jelena Laurinaviča

Chief Accountant

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*Consolidated
statement of
changes in equity*

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Consolidated statement of changes in equity

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Other reserves	Retained earnings	Total shareholders' equity
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		-	-	-	-	10 370 034	10 370 034
Other comprehensive income							
Provisions for asset retirement obligation	17	-	-	245 638	-	-	245 638
Transfer due to depreciation of accumulated revaluation gain		-	-	(579 209)	-	579 209	-
Increase/(decrease) in the long-term investment revaluation reserve	11	-	-	6 808 868	-	-	6 808 868
Transaction with owners of the Group							
Profit distribution		-	-	-	-	(1 058 522)	(1 058 522)
Employee share option programme	17	11 606	-	-	125 417	-	137 023
As at 31 December 2022		7 557 211	6 358 527	26 123 808	(4 047 266)	30 524 228	66 516 508
Comprehensive income							
Profit of the reporting period		-	-	-	-	5 098 804	5 098 804
Other comprehensive income							
Provisions for asset retirement obligation	17	-	-	(39 592)	-	-	(39 592)
Transfer due to depreciation of accumulated revaluation gain		-	-	(806 903)	-	806 903	-
Increase/(decrease) in the long-term investment revaluation reserve	11	-	-	(382 362)	-	-	(382 362)
Transaction with owners of the Group							
Profit distribution		-	-	-	-	(1 659 205)	(1 659 205)
Employee share option programme	17	7 520	-	-	41 612	-	49 131
As at 31 December 2023		7 564 730	6 358 527	24 894 951	(4 005 654)	34 770 730	69 583 285

The accompanying notes on pages 34 to 62 are an integral part of these consolidated financial statements.

Riga, 29 February 2024



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Chairman of the Board



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VIRŠI

*Notes to the
consolidated
financial
statements*

7

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

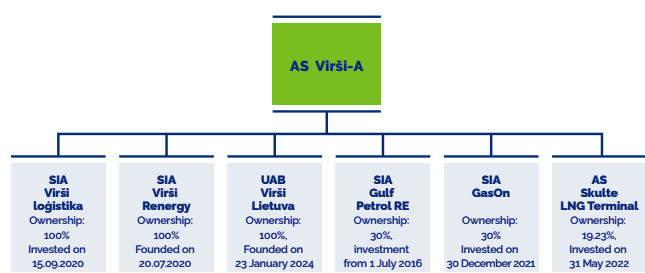
General information on the Group

AS Virši-A (hereinafter "the Group" or "the Parent Company") was registered with the Enterprise Register of Latvia on 6 January 1995. The legal address is Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads. The Group's shareholders are natural persons, residents of Latvia. The Group is engaged primarily in retail and whole sales of oil products, and retail sales of goods.

In 2023, the Group's parent company managed two subsidiaries, SIA Virši loģistika and SIA Virši Renergy, and, starting from January 2024, also the subsidiary in Lithuania, UAB Virši Lietuva. The operating activities of the subsidiaries are related to those of the Parent Company and represent ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and also electricity.

The consolidated financial statements of the Group will be authorised in April 2024.

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. On 26 November 2023, the subsidiary SIA Viršu nekustamie īpašumi was merged with the parent company AS Virši-A. The merger was effected to ensure effective governance of the Group.

In a strategic move to expand the network of filling stations in Lithuania, on 23 January 2024 a new subsidiary was established in Lithuania, UAB Virši Lietuva.

Summary of accounting principles used

Basis of preparation

The consolidated financial statements were prepared on a going concern basis and in accordance with the IFRS Accounting standards (hereinafter – IFRS) adopted by the European Union. All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are in force during the preparation of the consolidated financial statements are approved for use in the European Union by the European Commission in line with the applicable endorsement procedure. The currency unit used in the consolidated financial statements is Euro (EUR).

The consolidated financial statements cover the period from 1 January 2023 to 31 December 2023.

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

The cash flow statement was prepared using the indirect method.

The consolidated financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis and derivatives are measured at fair value.

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

- it is assumed that the Group will continue 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's management performs segment analysis at the gross margin level for three core business segments - retail and wholesale fuel products, convenience store goods and services, and energy.

The breakdown of revenue, cost of sales and gross margin by line of business is presented in Notes 2 and 4.

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 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted; however, the Group has not early adopted the new standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)

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 sole 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.

Subsequent to initial recognition, financial assets are reclassified only when the Group changes the business model under which those financial assets are managed. In such a case, all such financial assets are reclassified on the first day of the reporting period in which the business model is changed.

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 recognised 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 amortised 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 recognised 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 three years.

Property and equipment

(i) Useful lives

Property and equipment is carried at historical cost except for land and buildings that are recognised 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 derecognised 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 recognised in the profit and loss statement of the period of de-recognition.

The cost of leasehold improvements is capitalised 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 recognised at the lower value. The revaluation result is recognised in the profit and loss statement except if a previously recognised 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 recognised 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 recognised as an expense in the profit or loss statement, then the increase resulting from revaluation is recognised 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 utilised, 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. During 2023, no individual categories of property and equipment were not revalued to fair value, except due to capital reconstruction, which resulted in writing off the asset of a fuel filling station and replacing it with the value of capital reconstruction.

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 recognised 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.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent Group's share 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.

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 recognised in the following way:

- raw materials are recognised 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 allowance.

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 Group 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 recognised 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 recognised 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 recognised 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 recognised 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 elected to use the benefits of this favourable tax regime and invest profit into further development of its subsidiaries. To that end, the Group does not plan to distribute dividends from the Latvian subsidiaries during the course of the future five years. The Group has not recognised 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 discount 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 recognised 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 recognising 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 3-40 years' time with the average remaining lifetime being 23 years (2022: 22 years).

At the end of 2023, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 763 654 as of 31 December 2023. The update was prepared by management and resulted in a net decrease of ARO by EUR 79 889 from that recognised as at 31 December 2022 of EUR 683 765.

As at 31 December 2023, the estimated undiscounted ARO is EUR 1 318 455 (2022: EUR 1 222 491). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate.

In order to calculate the present value of the liabilities, for the updated information as at 31 December 2023 the Group used a short-term inflation rate of 5.00% (until 2026) and a long-term inflation rate of 2.0% (from 2026) (2022: short-term of 5.00% and long-term of 2.0%) and a discount rate of 2.26% (2022: 2.45%). The inflation rate is based on 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 226 673 (2022: EUR 198 189). Should the long-term inflation estimate decrease to 1% from the 2% used in the assumption, the ARO provision would decrease by EUR 169 276 (2022: EUR 149 601).

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 liability,
- 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 recognises 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: amortised 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 recognised on the settlement date. Financial assets are derecognised 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.

Amortised 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 recognised at amortised 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

	31.12.2023.	31.12.2022.
Cash and cash equivalents	4 717 284	12 352 324

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 recognised because the amount is assessed as immaterial both due to on demand nature and the high creditworthiness of the counterparties.

Trade receivables and other receivables

	31.12.2023	31.12.2022
Trade receivables	17 406 273	16 787 045
Due from related parties	24 399	11 565
Other receivables	2 032 607	273 474
Accrued income	1 352 430	3 839 054
Total trade receivables	20 815 709	20 911 138

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 recognised 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 15.

Other financial investments

	31.12.2023	31.12.2022
Loan to an associate	1 923 999	1 524 543
Total other financial investments	1 923 999	1 524 543

The fair value of non-current and current financial investments is not materially different from the carrying amount, which is also the maximum exposure to credit risk. No impairment losses have been recognised 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,
- SIA GasOn, in which the Group made a capital contribution as at 30 December 2021 becoming the holder of 30% equity, in 2023 suffered a loss due to unfavourable changes in prices of energy resources and client demand. To mitigate losses, the Company has invested in and developed a new propane gas supply business; the diversified portfolio of assets and customers allows the company to plan positively for future operating cash flows. In 2023, the Company also continued to integrate the Group's corporate governance standards and to collaborate in the development and implementation of strategic objectives.

(b) Non-financial assets

Assets that are subject to amortisation 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 recognised 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 recognised 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 recognised as liabilities only when there is reasonable likelihood that an outflow of funds will be required. Contingent assets are recognised 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 recognised 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 recognised relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognises 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.

Sales of fuel products includes both wholesale and retail sale of fuel in filling 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 oil products and included in Cost of oil products and goods. In addition to oil products, sales of goods in convenience stores include catering and sales of consumer products at Virši fuel stations. Sales of energy includes sales of electricity products and guarantees of origin.

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%.

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 recognised for an asset or liability in transactions a business combination if the transaction, when initially recognised, does not affect profit for financial or tax purposes. Deferred tax liabilities are not recognised 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 recognised 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 utilised.

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 utilised realisation 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 Accounting standards 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 11
- Expected Credit Loss determination
- More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 29
- Provisions for asset retirement obligation
- More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 29
- 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 recognised as assets if their fair value is positive and liabilities if their fair value is negative. During the reporting period, the Group signed certain hedging agreements; however, hedge accounting was not applied (refer to Note 29 and 30).

2. Net sales

By type of operating activity	2023	2022
Sale of oil products	271 214 751	309 075 927
Sales of goods in convenience stores	48 187 582	39 266 075
Energy	20 835 250	24 925 712
Other income	3 494 517	1 842 281
TOTAL:	343 732 101	375 109 995

By geographic market	2023	2022
Latvia	338 668 979	372 625 128
Other	5 063 122	2 484 867
TOTAL:	343 732 101	375 109 995

Contract liabilities under Trade and Other payables	31.12.2023.	31.12.2022.
Advances received	542 693	643 226
TOTAL:	542 693	643 226

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.

As permitted under IFRS 15, no information is provided about the remaining performance obligations as at 31 December 2023 or as at 31 December 2022 that have an original expected duration of one year or less.

3. Cost of sales

	2023	2022
Cost of oil products and goods	303 009 111	340 361 451
Depreciation and amortisation	106 387	105 986
Personnel expenses	175 749	142 739
Other costs related to property	46 647	4 574
Maintenance and repairs	37 171	55 047
Transport	75 398	34 769
Other expenses	2 589 100	1 633 975
TOTAL:	306 094 436	342 338 541

4. Segment information

The Group's management assesses the operating results at the gross profit level in three segments: retail and wholesale of fuel products, convenience store goods and services, and energy, where gross profit in 2023 and 2022 was mainly driven by electricity sales in the B2B segment.

2023	Sale of fuel products	Convenience stores	Energy	Other income
Net sales from types of operations	271 214 751	48 187 582	20 835 250	3 494 517
Cost of goods sold, cost of goods or services	254 425 989	31 089 813	18 477 257	2 046 504
Gross profit	16 788 762	17 097 769	2 357 993	1 448 013
Gross margin	6.2%	35.5%	11.3%	41.4%
Gross profit margin	44.5%	45.4%	6.3%	3.8%

2022	Sale of fuel products	Convenience stores	Energy	Other income
Net sales from types of operations	309 075 927	39 266 075	24 925 712	1 842 281
Cost of goods sold, cost of goods or services	290 149 556	26 425 488	24 517 891	1 245 606
Gross profit	18 926 371	12 840 587	407 821	596 675
Gross margin	6.1%	32.7%	1.6%	32.4%
Gross profit margin	57.8%	39.2%	1.2%	1.8%

5. Selling expenses

	2023	2022
Personnel expenses	14 210 430	11 900 337
Depreciation and amortisation	4 731 887	4 098 392
Other costs related to property	97 986	146 873
Maintenance and repairs of infrastructure	2 737 389	3 462 074
Marketing expenses	1 241 918	873 306
Transport	890 327	967 673
Other expenses	1 259 106	1 108 060
TOTAL:	25 169 042	22 556 715

6. Administrative expenses

	2023	2022
Personnel expenses	1 716 469	1 516 381
Depreciation and amortisation	227 386	215 203
Other costs related to property	12 844	6 268
Maintenance and repairs of office	55 246	52 150
Transport	146 355	121 666
Professional services *	399 740	417 666
Other expenses	198 402	133 878
TOTAL:	2 756 443	2 463 212

* including total remuneration paid to certified auditors:

	2023	2022
SIA KPMG Baltics for audit of consolidated financial statements	55 053	52 400
SIA Deloitte Latvia for other expert engagements	-	17 200
SIA KPMG Baltics for tax and legal consultations	25 315	29 185
TOTAL:	80 368	98 785

7. Other operating income

	2023	2022
Profit from sales of property and equipment, net, incl:	31 865	7 807
Revenue from sales of property and equipment	235 827	183 924
Non-amortised value of disposed property and equipment	(203 962)	(176 117)
Income from an insurance compensation received	82 533	61 403
Income from contract termination fees	-	945 856
Gain on currency exchange fluctuations, net	8 779	-
Other operating income	173 076	78 935
TOTAL:	296 253	1 094 001

8. Other operating expenses

	2023	2022
Changes in doubtful debt allowances	126 882	124 132
Write-offs of property and equipment	624 005	-
Loss on currency exchange fluctuations, net	-	55 736
Donations	138 700	87 122
Bank charges	71 553	45 791
Other operating expenses	424 749	644 297
TOTAL:	1 385 888	957 078

9. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

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

	2023	2022
Current tax	400 033	271 761
TOTAL:	400 033	271 761

Reconciliation of effective tax rate

Current corporate income tax expenses for the years ending on 31 December 2023 and 31 December 2022 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

	2023	2022
Profit before corporate income tax	5 498 837	10 641 795
Theoretical tax at 20%	1 099 767	2 128 359
Impact of retained earnings	(699 734)	(1 856 598)
Tax expenses	400 033	271 761

All retained profits of the Group for period until January 1, 2019, were distributed as dividends. If all retained profits would have been distributed as dividends at the report date the Group would incur a tax liability of EUR 8 692 683 at theoretical tax rate 20% (31.12.2022: EUR 7 631 057). In relation to potential deferred tax liabilities in subsidiaries of the Group relating to retained earnings the management assessed that such profit distribution is not expected in the foreseeable future and thus no deferred tax liabilities were recognised.

10. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Creation of intan- gible assets	TOTAL
Historical cost				
As at 31 December 2021	120 745	453 988	-	574 733
Additions	66 983	105 255	-	172 238
Disposals	-	32 294	-	32 294
As at 31 December 2022	187 728	526 949	-	714 677
Additions	75 841	103 637	400 637	580 114
Disposals	-	(105)	-	(105)
Reclassifications	219 992	170 645	(390 637)	-
As at 31 December 2023	483 561	801 126	10 000	1 294 687
Accumulated amortization				
As at 31 December 2021	46 692	373 681	-	420 373
Calculated amortisation	32 051	62 526	-	94 577
Accumulated amortisation of disposed assets	-	(19 615)	-	(19 615)
As at 31 December 2022	78 743	416 592	-	495 335
Calculated amortisation	51 464	66 708	-	118 172
Accumulated amortisation of disposed assets	-	(105)	-	(105)
As at 31 December 2023	130 207	483 195	-	613 402
Carrying amount				
As at 31 December 2021	74 053	80 307	-	154 360
As at 31 December 2022	108 985	110 357	-	219 342
As at 31 December 2023	353 353	317 931	10 000	681 285

11. Property and equipment

	Land, buildings and engineering structures	Leasehold improvements	Equipment and machinery	Other property and equipment	Construction in progress	Prepayments for property and equipment	TOTAL
Historical cost							
As at 31 December 2021	56 616 419	1 619 202	10 304 233	6 389 542	1 825 057	108 200	76 862 653
Additions	2 744 361	154 670	1 117 812	919 071	4 966 833	161 793	10 064 540
Revaluation*	6 808 868	-	-	-	-	-	6 808 868
Reclassifications	4 140 495	47 264	1 628 630	358 912	(6 175 301)	-	-
Cost of disposed fixed assets	(139 502)	-	(133 525)	(225 667)	-	-	(498 694)
As at 31 December 2022	70 170 641	1 821 136	12 917 150	7 441 858	616 589	269 993	93 237 367
Additions	1 164 667	159 646	814 136	1 161 286	10 451 705	1 017 526	14 768 967
Revaluation*	(391 330)	-	-	-	-	-	(391 330)
Reclassifications	6 411 084	(1 221 761)	1 754 614	1 256 861	(8 096 083)	(104 716)	-
Cost of disposed fixed assets	(264 351)	(66 998)	22 027	(257 730)	(1 550)	-	(568 601)
As at 31 December 2023	77 090 711	692 024	15 507 928	9 602 275	2 970 662	1 182 803	107 046 403
Accumulated depreciation and impairment							
As at 31 December 2021	7 267 079	515 009	4 061 274	3 273 321	-	-	15 116 683
Depreciation, depreciation of the revalued part*	1 397 815	175 119	912 542	1 196 013	-	-	3 681 489
Impairment*	389 958	-	-	-	-	-	389 958
Accumulated depreciation of disposed property and equipment	(40 489)	-	(77 360)	(219 534)	-	-	(337 383)
As at 31 December 2022	9 014 363	690 128	4 896 456	4 249 800	-	-	18 850 747
Depreciation, depreciation of the revalued part*	1 703 850	200 209	1 063 701	1 364 259	-	-	4 332 018
Impairment*	(8 968)	-	-	-	-	-	(8 968)
Reclassifications	619 584	(619 584)	-	-	-	-	-
Accumulated depreciation of disposed property and equipment	(22 351)	(42 396)	(8 863)	(226 194)	-	-	(299 803)
31 December 2023	11 306 477	228 358	5 951 294	5 387 865	-	-	22 873 994
Carrying amount							
As at 31 December 2021	49 349 340	1 104 193	6 242 959	3 116 221	1 825 057	108 200	61 745 970
As at 31 December 2022	61 156 278	1 131 008	8 020 694	3 192 058	616 589	269 993	74 386 620
As at 31 December 2023	66 403 818	155 918	9 556 634	4 214 410	2 970 662	1 182 803	84 172 410

* In 2023, the Sarkandaugava filling station underwent a major refurbishment; following the refurbishment, the original investment and the revaluation reserve attributable to the value of the station before the refurbishment were written off.

** On 30 December 2022, the Group revalued property and equipment under category Land, buildings and engineering structures to fair value. Revaluation was not performed on items of property and equipment purchased over 18 months ago. The result of revaluation (appreciation) was recorded in the accounting records of the Group on 30 December 2022. The revaluation was performed by certified real estate appraiser SIA Arco Real Estate. The valuation was based on the income and cost approach.

The carrying amount of Land, buildings and engineering structures, had it been presented at fair value as at 31 December 2023, would have been EUR 40 393 573 (in 2022: EUR 37 052 865) if the entire category was been accounted using the cost method.

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

The following table shows the valuation technique used in measuring the fair value of Land, buildings and engineering structures, as well as the significant unobservable inputs used for 2022:

Type	Fair value, EUR (2022)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	58 743 702	Discounted cash flows	<ul style="list-style-type: none"> - Discount rate ranging from 11% to 15.5% - Capitalisation rate ranging from 10% to 14.0% - Gross revenue assumption in year one for fuel sales from EUR 40 thousand to EUR 326 thousand - Gross revenue assumption in year one for store sales from EUR 54 thousand to EUR 333 thousand - Revenue growth from year four or five – 0.5% per year (with the exception of a new filling station with growth of 5%-7% p.a.) 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - 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).
Oil storage facility / railway network	2 015 000	Discounted cash flows /	<ul style="list-style-type: none"> - Discount rate 17.5% - Capitalisation rate ranging from 7.5% to 15% - Rent of 0.11 EUR/m² (land) to 3.0 EUR/t (fuel) - Leased land/transshipment capacity/annual utilisation 49–95% - Revenue growth from year three 0.5%–1.0% p.a. 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - 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	387 000	Discounted cash flows	<ul style="list-style-type: none"> - Discount rate 12.0%, capitalisation rate 10.0–10.5% - Rent 1.00 - 3.00 EUR/m² - Occupancy rate 65–90% p.a. - Revenue growth from year 3 0.5%–1.0% p.a. 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - 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).

12. Movements in right-of-use assets

	Leased Equipment and machinery	Leased real estate property	Total leased assets
Historical cost			
As at 31 December 2021	2 438 515	2 039 176	4 477 691
Additions	367 015	280 581	647 596
Cost of disposed fixed assets	(48 688)	-	(48 688)
3 As at 1 December 2022	2 756 842	2 319 757	5 076 599
Additions	374 771	1 647 894	2 022 665
Cost of disposed fixed assets	(56 752)	-	(56 752)
As at 31 December 2023	3 074 861	3 967 651	7 042 512
Accumulated depreciation and impairment			
As at 31 December 2021	1 153 154	709 118	1 862 272
Charge for the period	383 473	260 042	643 515
Accumulated depreciation of disposed property and equipment	(46 561)	-	(46 561)
As at 31 December 2022	1 490 066	969 160	2 459 226
Charge for the period	312 911	309 196	622 107
Accumulated depreciation of disposed property and equipment	(21 816)	-	(21 816)
As at 31 December 2023	1 781 161	1 278 356	3 059 517
Balance as at 31 December 2021	1 285 361	1 330 058	2 615 419
Balance as at 31 December 2022	1 266 776	1 350 597	2 617 373
Balance as at 31 December 2023	1 293 700	2 689 295	3 982 995

13. Investments in associates

As of 1 July 2016, the Group owns 30% of shares in SIA Gulf Petrol RE, and on 30 December 2021 the Group also invested in SIA GasOn by acquiring 30% of shares in the company, and on 31 May 2022 the Group invested in SIA Skulte LNG Terminal by acquiring 19.23% of shares in the company.

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

SIA Gulf Petrol RE	31.12.2023	31.12.2022
Ownership interest in the associate	30%	30%
Non-current assets	1 053 797	1 083 902
Current assets	43 204	40 182
Non-current liabilities	(758 100)	(840 100)
Current liabilities	(34 581)	(35 964)
Net assets	304 320	248 020
Share in Net asset value (30%)	91 296	74 406
Turnover	113 300	113 300
Comprehensive income, net	56 300	48 197
Group's share in comprehensive income (30%)	16 890	14 459
Retained profits (30%)	32 346	17 887
Investment in associate, nominal	42 060	42 060
Investment in associate, net	91 296	74 406
SIA GasOn	31.12.2023	31.12.2022
Ownership interest in the associate	30%	30%
Non-current assets	3 989 737	4 020 445
Property and equipment	3 989 737	4 020 445
Current assets	636 705	1 499 976
Inventories	391 144	409 785
Trade receivables	216 720	370 718
Other receivables and contract costs	6 817	577 680
Cash and cash equivalents	22 024	141 793
Non-current liabilities	(313 707)	(3 287 231)
Other loans	(313 707)	(3 287 231)
Current liabilities	(2 712 692)	(275 730)
Other loans	(2 475 955)	(119 015)
Trade receivables	(236 738)	(156 715)
Net assets	1 600 043	1 957 460
Share in Net asset value (30%)	480 013	587 238
Goodwill	955 579	955 579
Investment		
Carrying amount as at 31 December	1 435 592	1 542 817
Turnover	1 282 095	2 893 500
Comprehensive income, net	(357 417)	142 723
Group's share in comprehensive income (30%)	(107 225)	42 817
Retained profits (30%)	42 817	-
Investment in associate, nominal	1 500 000	1 500 000
Investment in associate, net	1 435 592	1 542 817

SIA GasOn was acquired for a cash consideration of EUR 1 500 000. The goodwill recognised was attributed mainly to the synergies expected to be achieved following the integration of the company into the Group, as well as the skills and technical capabilities of SIA GasOn employees and the technology owned by the company. At the date of recognition of goodwill and at 31 December 2022, the Group assessed that goodwill should not be impaired based on the assumptions used at the time of acquisition of the investment in associate and at the end of 2022, respectively. The assumptions included projected annual revenue growth over the next five years of 35% and the return on equity of 12%.

Goodwill has been tested for recoverability as at the reporting date; no impairment should be recognised. In 2023, it is assumed that over the next five years the company's revenue will grow by more than 20% and the return on equity by 12%.

In 2023, as a result of the dynamics of energy prices, SIA GasOn diversified its portfolio of services by investing in infrastructure and starting to supply propane gas to customers. During 2023, the changing prices for natural gas and propane gas also changed customer habits. Although the market tensions in 2023 were loss-making for the company, at the beginning of 2024 the Group views SIA GasOn future development plans positively.

14. Inventories

	31.12.2023	31.12.2022
Auxiliary materials	613 557	526 556
Fuel	8 476 636	6 123 329
Other goods	2 704 258	2 413 920
Prepayments for inventories	217 955	246 612
TOTAL:	12 012 407	9 310 417

In the reporting period, the net realisable value of inventories was equal to the carrying amount. No provision for the net realisable value of inventories was recognised as at 31 December 2023 and 31 December 2022.

15. Trade receivables and accrued income

	31.12.2023	31.12.2022
Carrying amount of trade receivables	17 973 780	17 376 609
Impairment allowance	(567 507)	(589 564)
TOTAL:	17 406 273	16 787 045

Accrued income	1 244 785	3 839 054
TOTAL:	1 244 785	3 839 054

The decrease in accrued revenue is due to the decrease in the market price of electricity in the electricity trading segment, where invoices for services rendered are raised and paid in the month following the provision of the service.

Overdue days under IFRS 9	31.12.2023			31.12.2022		
	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
Not past due	0.1%	17 324 419	17 324	0.1%	20 195 093	20 195
Overdue by 1–30	0.2%	1 262 072	2 524	0.2%	509 847	1 020
Overdue by 31–60	1.0%	131 416	1 314	0.9%	47 265	425
Overdue by 61–90	2.7%	137 776	3 720	2.4%	19 228	461
Overdue by 91–180	5.6%	11 350	636	5.8%	28 498	1 653
Overdue by 181–360	10.9%	8 449	921	11.8%	90 995	10 737
Overdue by >360	100.0%	343 083	343 083	100.0%	324 737	324 737
TOTAL:		19 218 565	369 522		21 215 663	359 228
Individual allowance			197 985			230 336
Total doubtful debt allowance			567 507			589 564

Impairment allowance for trade receivables as at 31.12.2021	520 446
Established	124 132
Release of allowances due to write-offs	(55 014)
Impairment allowance for trade receivables as at 31.12.2022	589 564
Established	126 882
Release of allowances due to write-offs	(148 939)
Impairment allowance for trade receivables as at 31.12.2023	567 507

Impairment allowances are assessed by the Group based on the ECL rate and valuation of individual debtors.

16. Cash and cash equivalents

	31.12.2023	31.12.2022
Cash in bank and on hand	3 067 399	11 181 653
Money in transit	1 649 885	1 170 671
TOTAL:	4 717 284	12 352 324

17. Share capital and reserves

Share capital

Share capital of the Group in 2023 is EUR 7 564 730 (2022: EUR 7 557 210.10), comprised of 15 129 460 shares (2022: 15 114 421). Nominal value per share is EUR 0.50 (2022: EUR 0.50). All shares are fully paid up.

In 2023, the Group continued its employee share option programme by making the first conversion of options, increasing share capital and issuing an additional 15 039 (2022: 23 212) shares for a total value of EUR 7 520 (2022: EUR 11 606). The management suggests that the shareholders distribute 20% or EUR 1 019 761 of profit of 2022 (2022: 20%, EUR 2 074 007) during 2024.

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.

	2023	2022
Profit for the year, attributable to the owners of the Company	5 098 804	10 370 034
Weighted average number of shares	15 115 674	15 093 143
Earnings per share	0.34	0.69

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.

	2023	2022
Profit for the year, attributable to the owners of the Company	5 098 804	10 370 034
Weighted average number of shares	15 129 460	15 123 232
Earnings per share	0.34	0.69

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.

During 2023, a second conversion of options was made, increasing share capital and issuing additional 15 039 (2022: 23 212) shares for a total value of EUR 7 520 (2022: EUR 11 606)..

Revaluation reserve

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

	31.12.2023	31.12.2022
Revaluation reserve from Land, buildings and engineering structures revaluation	24 894 951	26 123 808
TOTAL:	24 894 951	26 123 808
Balance as at 31.12.2021		19 648 511
Changes in revaluation reserves		6 229 659
Revaluation of Land, buildings and engineering structures (Note 10)		6 808 868
Reclassification to retained earnings (Consolidated statement of Changes in Equity)		(579 209)
Provisions for asset retirement obligation (Note 19)		245 638
Balance as at 31.12.2022		26 123 808
Changes in revaluation reserves		(1 189 265)
Revaluation / (write-offs) of Land, buildings and engineering structures (Note 11)		(382 362)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)		(806 903)
Provisions for asset retirement obligation (Note 20)		(39 592)
Balance as at 31.12.2023		24 894 951

Other reserves

During 2020, the Group's legal structure was reorganised. 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. 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. In 2022, the Group continued its employee share option programme by making the first conversion of options, increasing share capital and issuing an additional 23 212 shares for EUR 11 606 and in 2023, a second conversion of options was made, issuing additional 15 039 shares for EUR 7 520.

Balance as at 31.12.2021	(4 172 683)
Employee share option scheme	137 023
Option conversion	(11 606)
Balance as at 31.12.2022	(4 047 266)
Employee share option scheme	49 131
Option conversion	(7 520)
Balance as at 31.12.2023	(4 005 654)

18. Loans from credit institutions

Long-term	31.12.2023	31.12.2022
Loans from a credit institution registered in the Republic of Latvia	3 067 399	11 181 653
Including:		
Long-term part of loans repayable in up to 5 years	14 488 095	17 546 599
Long-term part of loans repayable after 5 years until maturity	-	-
Short-term	31.12.2023	31.12.2022
Loan from a credit institution registered in the Republic of Latvia	7 058 504	3 862 190
TOTAL:	21 546 599	21 408 789

During 2023, the Group obtained a loan of EUR 4.0 million to expand and modernise the network of filling stations (2022: EUR 7.0 million).

As at the reporting date the Group has access to an unutilised credit line facility which is prolonged on an annual basis. The facility limit is EUR 3.0 million.

All loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.45% 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. These covenants are complied with.

19. Other loans

Long-term:	31.12.2023	31.12.2022
Interest-free, unsecured loan from the shareholders	4 962 627	5 491 216
TOTAL other long-term loans:	4 962 627	5 491 216
Short-term:	31.12.2023	31.12.2022
Interest-free, unsecured loan from the shareholders	700 000	700 000
TOTAL other short-term loans:	700 000	700 000
TOTAL other loans:	5 662 627	6 191 216
Nominal value total:		
Interest-free, unsecured loan from the shareholders	6 455 516	7 155 524

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.

20. Provisions for asset retirement obligation

Balance as at 31 December 2021	855 010
Provision made during the period	53 445
Change in discount rate	(502 093)
Change in estimates	256 455
Unwinding of discounting	20 948
Balance as at 31 December 2022	683 765
Provision made during the period	24 844
Change in discount rate	31 810
Change in estimates	7 781
Unwinding of discounting	15 453
Balance as at 31 December 2023	763 654

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

21. Lease liabilities

Lease liabilities arise from right-of-use assets disclosed on the balance sheet under Right-of-use assets (Note 11).

The present value of future lease payments is calculated using the effective interest rate applicable to the specific category of property and equipment in the reporting period. The average rate is 3.57% p.a. (2022: 2.57% p.a.).

Balance as at 31 December 2021	2 352 196
Acquisitions and recognised lease modifications	647 596
Repayment of lease liabilities	(787 725)
Recognised interest expenses on lease	48 572
Balance as at 31 December 2022, including:	2 260 639
Non-current lease liabilities	1 804 362
Current lease liabilities	456 277
Balance as at 31 December 2022	2 260 639
Acquisitions and recognised lease modifications	2 008 080
Repayment of lease liabilities	(697 745)
Recognised interest expenses on lease	98 136
Balance as at 31 December 2023, including:	3 669 110
Non-current lease liabilities	2 979 145
Current lease liabilities	689 965

	Carrying amount	Contractual cash flows (undiscontd.)
31 December 2022		
Lease liabilities, including:	2 260 639	2 425 968
Amount payable within one year, i.e. current lease liabilities	456 277	505 669
Amount payable within 2–5 years	1 320 841	1 416 438
Amount payable in more than 5 years	483 521	503 860
31 December 2023		
Lease liabilities, including:	3 669 109	4 334 606
Amount payable within one year, i.e. current lease liabilities	689 965	845 943
Amount payable within 2–5 years	1 993 810	2 405 741
Amount payable in more than 5 years	985 334	1 082 922
	2023	2022

Leases

Interest on lease liabilities	98 136	48 572
Amortisation of the right-of-use asset	622 107	643 515
Expenses relating to short-term leases	469 796	207 273
	1 190 039	899 360

Amounts recognised in statement of cash flows

Total cash outflow for leases 2023	697 745
Total cash outflow for leases 2022	787 725

22. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount as at 31 December 2021	16 842 407	6 782 854	2 352 196	25 977 457
Loan principal repaid	(2 433 618)	(700 000)	-	(3 133 618)
Lease payments	-	-	(773 355)	(773 355)
Cash flows from financing activities	(2 433 618)	(700 000)	(773 355)	(3 906 973)
New loans from credit institutions	7 000 000	-	-	7 000 000
New lease liabilities	-	-	647 596	647 596
Interest expenses	432 971	-	14 370	447 341
Financial expenses including unwinding of the discount and change in estimates	-	108 362	34 202	142 564
Interest paid	(432 971)	-	(14 370)	(447 341)
Total changes in liabilities	4 566 382	(591 638)	(91 557)	3 883 187
Carrying amount as at 31 December 2022	21 408 789	6 191 216	2 260 639	29 860 644

Loan principal repaid	(3 862 190)	(700 000)	-	(4 562 190)
Lease payments	-	-	(665 970)	(665 970)
Cash flows from financing activities	(3 862 190)	(700 000)	(665 970)	(5 228 160)
New loans from credit institutions	4 000 000	-	-	4 000 000
New lease liabilities	-	-	2 008 080	2 008 080
Interest expenses	982 763	-	31 775	1 014 538
Financial expenses including unwinding of the discount and change in estimates	-	171 411	66 361	237 772
Interest paid	(982 763)	-	(31 775)	(1 014 538)
Total changes in liabilities	137 810	(528 589)	1 408 471	1 017 693
Carrying amount as at 31 December 2023	21 546 599	5 662 627	3 669 110	30 878 337

Finance expenses:	2023	2022
Interest expenses on a financial instrument	2 135 765	-
Interest expense from unwinding the discount on a shareholder loan	171 419	108 362
Interest expenses for bank loans	982 763	404 230
Interest expenses for a lease	98 136	48 572
Other financial expenses	180 732	56 820
TOTAL:	3 568 815	617 984

23. Accrued liabilities

	2023	2022
Due to suppliers	4 343 783	3 422 368
Due to personnel	741 692	589 334
TOTAL:	5 085 474	4 011 702

24. Expenses by nature

	2023	2022
Cost of materials	303 009 111	340 361 451
Employee payroll and benefits	16 102 649	13 559 457
Depreciation and amortisation	5 065 660	4 419 581
Property and maintenance expenses	2 987 282	3 726 986
Logistics	1 112 079	1 124 108
Marketing	1 241 918	873 306
Finance income and expenses	3 178 580	(2 753 345)
Consultancy	399 740	417 666
Corporate income tax for the reporting year	400 033	271 761
Other	5 136 244	2 738 989
TOTAL:	338 633 296	364 739 961

25. Tax liabilities and tax assets

	31.12.2023	31.12.2022
Social security contributions	359 743	321 821
Personal income tax	159 526	146 123
Excise tax	4 959 202	3 430 200
Electricity tax	46410	1737
Corporate income tax	36 684	(1 146)
Value added tax	1 331 773	781 097
Natural resources tax	578	867
Real estate tax	536	(878)
Company car tax	83	114
Business risk state duty	299	278
Total tax liabilities:	6 894 834	4 681 959
TOTAL tax receivables:	-	(2 024)

26. Personnel costs and number of staff

	2023	2022
Remuneration	12 891 440	10 928 130
Compulsory state social security contributions	3 034 631	2 541 374
Expenses for reporting period include:		
Other personnel cost	176 577	89 953
TOTAL:	16 102 648	13 559 457

Including remuneration to key management

	2023	2022
Members of the Board and Council		
Remuneration	604 282	550 593
Social security contributions	142 231	109 623
TOTAL:	746 513	660 216

Average number of employees in the reporting year:

	2023	2022
Members of the Council	6	6
Members of the Board	3	3
Other staff	747	752
TOTAL:	756	761

27. 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.

28. Related party transactions

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

Related party:	Description of transaction	Transactions in the period ending		Balance outstanding	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
Associated companies					
Balances	Loan to an associate	-	-	1 927 600	1 432 746
Balances	Accrued interest	-	-	17 978	10 620
Balances	Right-of-use assets	-	-	309 069	415 226
Balances	Lease liabilities	-	-	(329 185)	(435 025)
Comprehensive income	Interest income	45 615	40 201	-	-
Comprehensive income	Interest expenses	(3718)	(4 579)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	-	117 937
Balances	Receivable for services	-	-	-	564
Comprehensive income	Income from agent services	-	11 143	-	-
Comprehensive income	Fuelling services	-	(1 114 306)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(5 662 627)	(6 191 216)
Comprehensive income	Interest expenses	(171 411)	(108 362)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(25 513)	(21 192)
Balances	Compulsory state social security payable	-	-	(7 209)	(7 167)
Comprehensive income	Remuneration	(604 282)	(550 593)	-	-
Comprehensive income	Social security contributions	(142 231)	(109 623)	-	-

For management remuneration please refer to Note 26.

29. 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.

As at 31 December 2023	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	7 316 022	7 316 022	7 316 022
Loan to an associate	-	-	1 196 399	1 196 399	1 196 399
Financial liabilities					
Derivatives	-	-	5 249 657	5 249 657	5 249 657

As at 31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	10 156 686	10 156 686	10 156 686
Loan to an associate	-	-	1 271 343	1 271 343	1 271 343
Financial liabilities					
Derivatives	-	-	5 954 555	5 954 555	5 954 555

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 31 December 2023	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	727 600	727 600
Trade receivables	-	-	-	17 406 273	17 406 273
Due from related parties	-	-	-	24 399	24 399
Other receivables	-	-	-	336 208	336 208
Cash and cash equivalents	-	-	-	4 717 284	4 717 284
Financial liabilities					
Loans from credit institutions	-	-	21 631 358	21 631 358	21 546 599
Other loans	-	-	4 995 341	4 995 341	5 662 627
Trade and other payables	-	-	-	16 800 257	16 800 257

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.

As at 31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	253 200	253 200
Trade receivables	-	-	-	16 787 045	16 787 045
Due from related parties	-	-	-	11 565	11 565
Other receivables	-	-	-	273 474	273 474
Cash and cash equivalents	-	-	-	12 352 324	12 352 324
Financial liabilities					
Loans from credit institutions	-	-	21 631 358	21 631 358	21 546 599
Other loans	-	-	5 517 498	5 517 498	6 191 216
Trade and other payables	-	-	-	20 897 107	20 897 107

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
Derivatives – loan to an associate	Discounted cash flows, Black-Scholes Model	The discount rate applied is based on the market prices of comparable loans of the associate during the reporting period. The value of the associate is assumed to be that at acquisition. Volatility of the fair value of the associate.
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions are described in Note 15.
Other loans	Discounted cash flow, NPV	Loan repayment structure assumed in line with budgeted cash flows and bank loan covenants. 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	Derivatives – loan to an associate
Balance as at 31 December 2021	1 061 416	-
Gain included in finance income		
Net change in fair value (unrealised)	3 168 914	71 343
Realised value of financial instruments	(28 199)	-
Loans issued	-	1 200 000
Financial income from calculated interest	-	25 092
Interest paid in the period (settlements)	-	(18 346)

Balance as at 31 December 2022	4 202 131	1 278 089
Gain included in finance income		
Net change in fair value (unrealised)	(1 967 194)	(81 691)
Realised value of financial instruments	(1 630 859)	-
New financial instrument contracts	1 504 680	
Loans issued	-	-
Financial income from calculated interest	-	26 767
Interest paid in the period (settlements)	-	(26 767)
Balance as at 31 December 2023	2 108 758	1 196 399

The fair value gain described above is recognised in the consolidated statement of comprehensive income within net finance income in the corresponding period.

A sensitivity analysis for derivative swaps is provided in Note 30.

At the beginning of 2023, the Group issued a loan with equity conversion features which required the loan to be carried at fair value. The key unobservable assumptions relate to the applicable discount rate for the loan element and the value of the embedded option element - the value of the associate and its fair value volatility. The table below presents the sensitivity analysis of alternative assumptions:

2023		
Unobservable element	Change in assumption	Impact of change
Change in the interest rate of the loan element	+/-100 base points	+/-60 606
Change in the fair value volatility of the associate	10%	+/- 123 992
Change in the associate's value	10%	+/- 122 908
2022		
Unobservable element	Change in assumption	Impact of the change
Change in the interest rate of the loan element	+/- 100 base points	+/-18 913
Change in the fair value volatility of the associate	10%	+/- 44 473
Change in the associate's value	10%	+/- 43 390

30. Management of financial risks

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

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

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

Market risk

Currency risk and revaluation

The functional and reporting currency of the Group is Euro (EUR), the national currency of the European Union. The objective of foreign exchange risk management in Virši group is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by contracting transactions in Euro or hedging currency risks in contracted. All transactions in foreign currencies are revalued to Euro in accordance with the reference exchange rate published by the European Central Bank on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to Euro in accordance with the reference exchange rate published by the European Central Bank on the last day of the reporting 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 recognised 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 an 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 31 December 2023 and 31 December 2022 would have increased (decreased) profit (loss) before taxes by the amounts for +/-222 101 EUR (2022: +/- 198 410 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 authorisation, 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 15.)

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

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 centralised 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.

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 18).

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.

As at 31 December 2023	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	21 546 599	23 919 239	2 565 487	5 289 380	5 253 864	5 578 988	2 991 018	2 240 503	-	-
Other loans	5 662 627	6 455 516	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 255 468
Derivatives	5 249 657	5 367 627	534 236	690 906	1 348 256	1 373 463	1 420 767	-	-	-
Trade and other payables	16 800 257	16 800 257	16 800 257	-	-	-	-	-	-	-
Accrued liabilities	5 058 474	5 058 474	5 058 474	-	-	-	-	-	-	-
Total financial liabilities	54 344 614	57 628 113	25 335 458	6 330 290	7 302 128	7 652 459	5 111 793	2 940 511	700 008	2 255 468

As at 31 December 2022	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	21 408 789	23 362 597	2 295 892	2 373 847	7 282 770	4 365 761	4 763 940	2 280 387	-	-
Other loans	6 191 216	7 155 524	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 955 476
Derivatives	5 954 555	5 954 555	152 938	191 104	1 405 713	1 462 920	1 391 088	1 350 792	-	-
Trade and other payables	20 897 107	20 897 107	20 897 107	-	-	-	-	-	-	-
Accrued liabilities	4 011 702	4 011 702	4 011 702	-	-	-	-	-	-	-
Total financial liabilities	58 463 369	61 381 485	27 707 643	2 914 955	9 388 491	6 528 689	6 855 036	4 331 187	700 008	2 955 476

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 and in September 2023 to the B2C sector. The Group aims to significantly develop its energy segment in the future. The dependence on fluctuations of electricity prices in the market is reduced by the Group by hedging supplies. The

value of derivative financial instruments recognised in the balance sheet for electricity-related financial instruments at 31 December 2023 is EUR 2 066 365 (2022: EUR 4 202 131). A possible change of 5 euros in the spread to Nord Pool commodity price at 31 December 2023 would have increased (decreased) profit before taxes by +/- 175 320 EUR (2022: +/- 216 912 EUR). This analysis assumes that all other variables remain constant. In 2023, the Company entered into non-material transactions that limit market price volatility for both CNG and diesel purchases in limited volumes. The value of such financial instruments on the Group's balance sheet at 31 December 2023 is EUR 42 392; all contracts on the balance sheet are short-term.

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 of Directors 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.

31. Profit distribution

The Board suggests that 20% of group profit for the reporting year or EUR 1 019 761 (2022: EUR 2 074 007) be distributed as dividends and the remainder be retained undistributed and used for further development of the Company. The Shareholder' Meeting will decide on the distribution of profit.

Riga, 29 February 2024

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevskā
Member of the Board

Jeļena Laurinaviča
Chief Accountant

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

32. Subsequent events

On 23 January 2024, the Group founded a subsidiary in Lithuania in a strategic move to expand its network of filling stations in Lithuania during the course of the coming years. No other significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.